

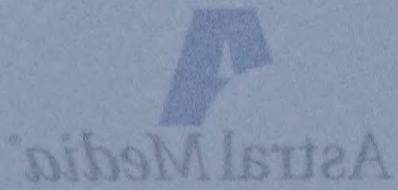
Our Business is
Reaching People



Astral Media®

April 1998 Annual Report 2000
Annual Report 2000
Annual Report 2000
Annual Report 2000

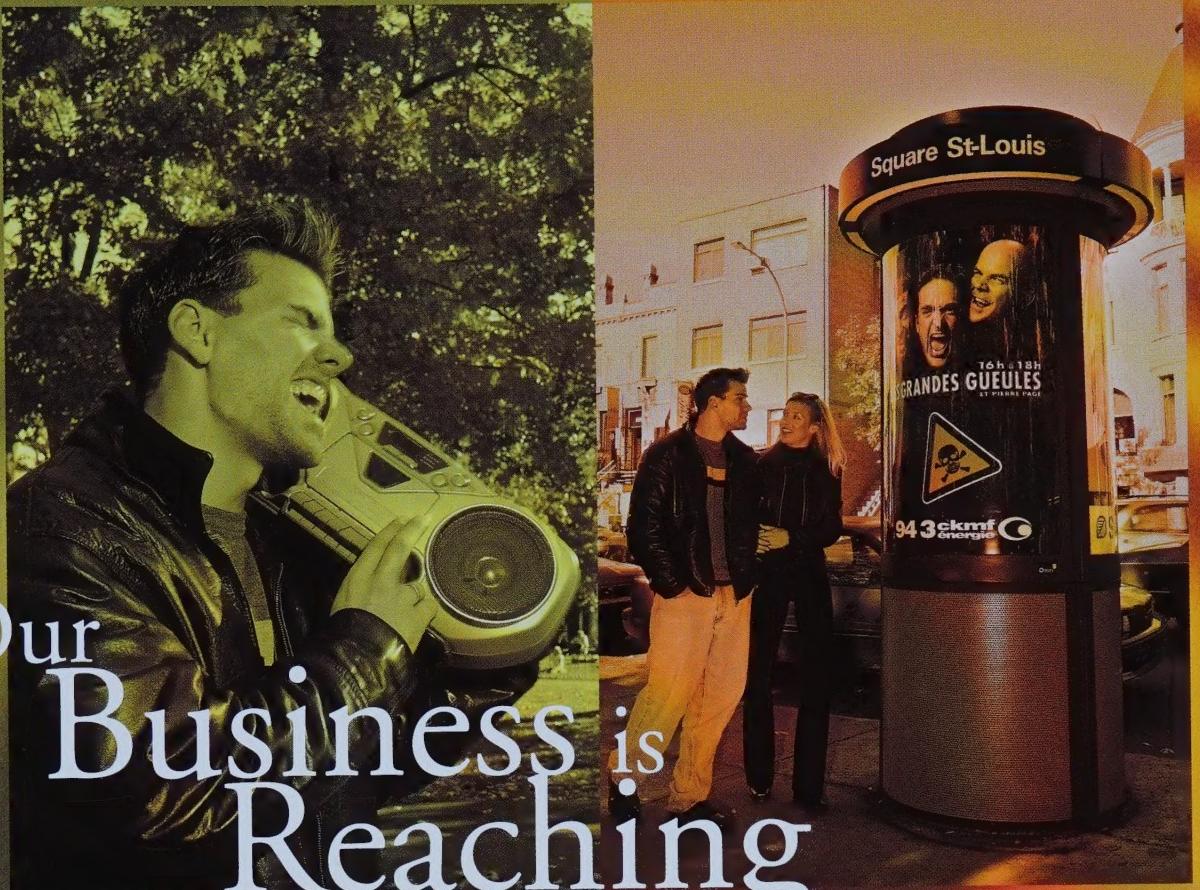
Our Business is Reaching People



Our Business is Reaching People



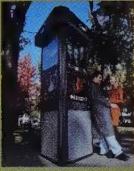
Astral Media®





Astral Media, one of Canada's leading media companies, is in the business of reaching people through specialty, pay and pay-per-view television, radio, outdoor advertising and e-business.

Profile



The Company offers consumers a varied and entertaining array of television programming as the country's largest operator of English and French specialty, pay, and pay-per-view television services, involved, on its own or with partners, in 20 network licences. Astral and its television networks also play a unique role as the largest private sector supporter of Canadian feature films through script and concept development, pre-buys, licence fees and equity investments.

In radio, *Astral Media* owns the top-rated, eight-station, French-language Radio Énergie FM network and three AM stations, and is a 50 per cent owner of Radiomédia, which operates two of Québec's foremost AM stations and its leading radio news and sports networks.

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Astral Media Outdoor (formerly Omni Outdoor) is one of Canada's fastest growing and most innovative outdoor advertising companies. Noted for the original and striking shapes and designs of its advertising faces, *Astral Media* Outdoor has some 3,400 faces in Québec, Ontario and British Columbia. It is expanding into the United States with an agreement to install 195 Urban Columns in Cleveland.

In e-business, the Company has a presence on the Internet through 13 web sites, most pushed by a number of its television and radio properties, and is now moving to the phase of building on that presence to do business on the Internet. *Astral* also has a majority interest in Artech Digital Entertainments, a leading developer of games and software which is also working on developing programming for interactive television.

Astral Media employs some 1,200 people at its facilities in Montréal, Toronto, Ottawa and a number of cities throughout Québec.

The shares of *Astral Media* Inc. trade on the Toronto Stock Exchange under the ticker symbols: ACM.A/ACM.B.

FINANCIAL HIGHLIGHTS (1)

Winspear Business Reference Library

University of Alberta

1-18 Business Building

Edmonton, Alberta T6G 2R6

(in thousands of \$)	2000 Pro-forma	1999	1998	1997	1996
Revenues	284,254	140,766	115,370	112,805	112,107
EBITDA from continuing operations	61,734	31,286	21,515	16,067	11,673
Earnings from continuing operations before income taxes	28,648	19,223	11,516	7,806	3,928
Net earnings from continuing operations	13,028	11,018	5,985	2,841	913
Net earnings (loss)	13,560	14,924	12,626	10,575	(14,594)
Cash flow from continuing operations	38,142	19,925	15,716	11,006	8,511
Working capital	(16,602)	(13,379)	(7,135)	25,755	12,234
Long-term debt (2)	8,670	125,706	21,979	2,764	3,895
Shareholders' equity	405,695	299,662	168,537	153,990	145,549
Total assets	605,116	570,028	307,848	254,416	264,553
PER-SHARE DATA (in \$)					
EBITDA from continuing operations	3.20	2.11	1.58	1.21	0.89
Net earnings from continuing operations	0.67	0.74	0.44	0.21	0.07
Net earnings (loss)	0.70	1.00	0.92	0.80	(1.11)
Cash flow from continuing operations	1.97	1.34	1.15	0.83	0.65
Dividend	0.30	0.30	0.30	0.30	0.30
Book value (3)	18.49	15.58	12.04	11.44	10.96
Average number of shares outstanding (000's)	19,313	14,857	13,649	13,235	13,111

(1) All figures have been restated to reflect continuing operations.

(2) Includes current portion.

(3) Based on the pro-forma number of shares outstanding at year-end.

Revenues



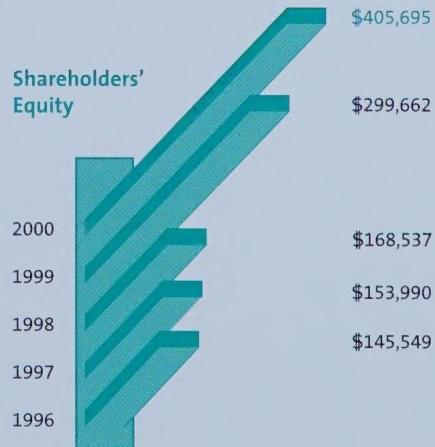
EBITDA



Net Earnings from Continuing Operations



Shareholders' Equity





Message to Shareholders



IAN GREENBERG
President and Chief Executive Officer

ANDRÉ BUREAU, O.C.
Chairman of the Board



In a year replete with meaningful change, we are proud to have achieved our vision of transforming *Astral Media* into a pure play media company.

We are now engaged exclusively in the business of reaching people through a jewel like collection of innovative and creative properties in the fastest growing areas of media: specialty and pay television, radio, outdoor advertising, and e-business. Our focus is trained solely on reaching consumers, singly or in family groups, with highly entertaining and informative experiences whether at home, at work or on the road, and using whatever technological platforms are available for the distribution of our services.

This transformation did not just come about overnight, but rather marked the culmination of our long-range strategic plan to grow the media side of our business while exiting those operations that did not fit into this strategy.

Our decision to become a pure play media company has been very well received in the marketplace. It is much easier for shareholders and the financial community to understand Astral, and we are proud that we are now covered by all the major financial institutions that track our industry. The fact that investors better understand and appreciate the "new" Astral is best reflected in the rise in the value of our shares, which today is over 50 per cent higher than the price of the share issue in July 1999.

Further proof of the investment community's awareness and appreciation of *Astral Media* came in September 2000 when we closed a public offering of 2.5 million Class A shares at \$38.50 per share for total proceeds of \$96.25 million. The success of the equity issue virtually eliminated all debt, further strengthening our balance sheet.

We are also proud that, with the increase in our share price and in the number of shares outstanding, the market capitalization of *Astral Media* is now hovering around \$1 billion.

Our evolution into a pure play media company has also transformed our corporate culture and our revenue streams. In Fiscal 1997, media activities accounted for 37 per cent of our revenues. Today, they represent 100 per cent, with advertising sales becoming a key factor. We expect that advertising will account for approximately \$110 million in sales in the 2001 Fiscal Year or around one third of Astral's projected total revenues. Just how far we have come can be judged by the fact that revenues from advertising in 1998 totalled a mere \$472,000.

Record Levels

We decided to exit the video and technical services businesses during the past year and treated the AstralTech Video Duplication Centre, Astral Home Entertainment and Covitec units as discontinued operations. Our continuing operations, therefore, consist of our activities in television, radio and outdoor advertising.

This transformation had a very positive effect on our financial results. EBITDA and cash flow from continuing operations virtually doubled, hitting record levels. Earnings before taxes were up 49 per cent to a new high as well.

EBITDA surged 97 per cent to \$61.7 million, compared with \$31.3 million a year earlier. Cash flow for the same period was up 91 per cent to \$38.1 million or \$1.97 per share from \$19.9 million or \$1.34 per share. Revenues from operations increased 105 per cent to \$283 million.

“Our market capitalization is now hovering around \$ 1 billion”.

Earnings before taxes from continuing operations rose 49 per cent to \$28.6 million, while net earnings went up by 18 per cent to \$13 million. Earnings per share were \$0.67 on an average of 19.3 million shares outstanding in the fiscal year, compared with \$0.74 on an average of 14.9 million shares a year earlier.

To provide our shareholders and the investment community with a clearer picture of our operations, we are now segmenting our financial results to reflect our three main businesses: television, radio and outdoor advertising. You will find the segmented information in the notes to our financial statements in this report.

Leading The Way

In an environment where specialty and pay television networks are continuing to take an increasing share of the viewing audience and advertising dollars, the services operated by our Television Group are amongst the most popular in the country, showing significant growth in both ratings and advertising revenues.

Leading the way once again this past year were the TMN - The Movie Network and Super Écran pay television networks, spurred by the continuing strong growth of the direct-to-home (DTH) delivery systems and the quickening pace of the roll out of digital set-top boxes by the cable industry. Both networks once again registered record subscriber levels. TMN's subscription base stood at over 606,000 at the end of

September 2000, a 36 per cent increase from 447,000 a year earlier, while Super Écran climbed 25 per cent to a new high of 315,000 in the same period.

Our Radio Group also scored well with its audiences. Radio Énergie was the big winner in the BBM ratings during the year, claiming top spot among young Québec listeners. With a weekly reach of 1.9 million listeners, Radio Énergie ranked first in all its markets with young adults aged 18 – 34, as well as with the 18 – 49-year-old group.

Astral *Media* Outdoor (formerly Omni Outdoor) also had an exceptional year. Sales rose 22 per cent, surpassing industry norms, while the number of advertising faces the Company operates in Québec, Ontario and British Columbia increased by 18 per cent to 3,400.

Highlights

The year was one of intense activity for all our units. We moved forward on many fronts, but our principal preoccupations centered on the successful integration of the Radiomutuel team and its operations, the launching of three new French-language specialty television services, and our exit from the video and technical services businesses.

The acquisition of Radiomutuel brought us three additional French-language specialty services, giving Astral *Media* 100 per cent ownership of Canal Vie and a 50 per cent interest in MusiquePlus and MusiMax. We also took over the eight-station French-language Radio Énergie FM network, led by the flagship Montréal outlet CKMF, and three AM stations. As well, we became a 50 per cent partner in Radiomédia, which operates CKAC, the heritage French-language AM station in Montréal, a station in Quebec City and the Radiomédia news and sports networks.

Our Television Group got a further boost late in January when we launched three new French-language specialty services, Z, which we own outright, and Historia and Séries+, of which we own 50 per cent and are the managing partners.

With the growing demand for advertising on specialty services, we expanded our television sales rep house, TVPlus Média, to better serve the marketplace. TVPlus Média now represents the eight French-language specialty services in which we are involved, as well as representing eight English-language services in the Québec market.

To keep pace with the technical and capacity demands of our television services, we opened a \$10 million state-of-the-art broadcasting centre in downtown Montréal in January to handle origination of some 50 broadcasting channels for eight of our French-language specialty, pay and pay-per-view services.

In order to keep growing our television operations, we were involved in a number of applications for digital specialty television licences that were filed with the Canadian Radio-television and Telecommunications Commission (CRTC). Public hearings were held in late summer and we expect that the CRTC will render its decisions before the end of the calendar year.

As we concentrated on the expansion of our media businesses, we moved to exit the video and technical services businesses, as they did not fit in with our strategic plan to become a pure play media company.

In April, we sold the AstralTech video duplication and distribution businesses to Technicolor for \$27.9 million and, at the end of the fiscal year, we closed our Astral Home Entertainment videocassette wholesaling operation.

Subsequent to year-end, we agreed to tender *Astral Media's* 63.15 per cent controlling interest in Covitec Group Inc. to Technicolor, following their offer to acquire 100 per cent of our technical services subsidiary. *Astral Media's* proceeds from the sale of its shares will amount to \$36.1 million.

Moving Forward

In an era of accelerating change, companies must build a brand that will make their products stand out in a crowded marketplace. With the adoption of our new name and logo earlier this year, we began the on-going process of unifying our business units under the *Astral Media* brand. (The decision to change Omni's name to *Astral Media* Outdoor was part of this process.) There is great value in a strong corporate identity, an *Astral Media* brand that acts as a beacon for both consumers and advertisers alike. Whether they are exposed to Astral on television, radio, on our advertising faces or on the Internet, we want people to understand that the *Astral Media* brand stands for quality, creativity and sound business practices.

While Astral is already involved in e-business, the time is appropriate for the Company to seek a larger role on the Internet. To this end, we have named Louis Ryan, who has had wide experience developing corporate strategies for a number of leading Canadian companies, as Corporate Vice-President, e-business, with responsibility for our Internet positioning. He reports directly to the CEO.

Convergence is the buzzword that has set the media world aflame. If a company owns content in various media, it is best positioned to benefit from e-business. Astral has a valuable collection of media assets, and Mr. Ryan will be responsible for developing online properties that take advantage of the opportunities these assets present. He will also assist Astral's units in establishing new e-business initiatives that expand their existing operations, as well as support those units already engaged in e-business.

We are determined to build *Astral Media's* position on the Web in a structured and sustainable manner in order to add the Internet to our advertising mix. To achieve this goal, we will aggressively pursue new alliances that will be backed by a sound business model and which will offer a complete and engaging experience for the audience.

While on the Internet, the Radio Énergie web site, www.radioenergie.com, was honoured with a gold medal as the best media web site at the International Multimedia Market held in Montréal this October.

The stability, experience and quality of our senior management and employees have always been central to Astral's growth strategy. In this vein, we made several key appointments this year to bolster the sales and marketing leadership in our business units.

René Desmarais, who has extensive marketing and media experience, including a stint as president and CEO of CFCF 12 Television in Montréal, was named President of our *Astral Media* Outdoor subsidiary, while veteran advertising industry executive Claude Lizotte joined the Company as Vice-President, Sales and Marketing, Specialty Television. Luc Sabbatini, who also has wide experience in radio and television sales and marketing, was appointed Executive Vice-President, Astral Radio Group, with day-to-day responsibility for the Company's radio operations.



At the Corporate office, Monique Ryan, who joined *Astral Media* as General Counsel and Corporate Secretary, following a career in corporate and commercial law, was promoted to the position of Vice-President, Legal Affairs for the Company. Ms. Ryan earlier had the distinction of articling under the former Chief Justice of the Supreme Court of Canada, the Right Honourable Antonio Lamer.

Summing Up

We are delighted with the personnel who joined the *Astral Media* team from Radiomutuel, and with their performance. Of course, the contributions of the *Astral Media* senior managers who worked with such diligence and devotion over the years in the execution of our plan to become a pure play media company have been unparalleled. They, along with their staffs, have been the foundation on which the success of *Astral Media* was built. We are proud to be working with them.

We also want to express our sincere thanks to our Directors for their always-wise counsel and dedication to the evolution of *Astral Media*, and to our shareholders, partners, customers and suppliers for their continuing support, co-operation and confidence.

As you will appreciate as you read through this report, your Company has an exciting array of valuable assets which we are confident will enable us to maintain our strong growth trend in the coming years. However, we do not intend to stop there. We are actively seeking out acquisition opportunities in our four areas of business - specialty and pay television, radio, outdoor advertising and e-business – to ensure that *Astral Media* will continue to play a strategic and leading role on the Canadian media scene.

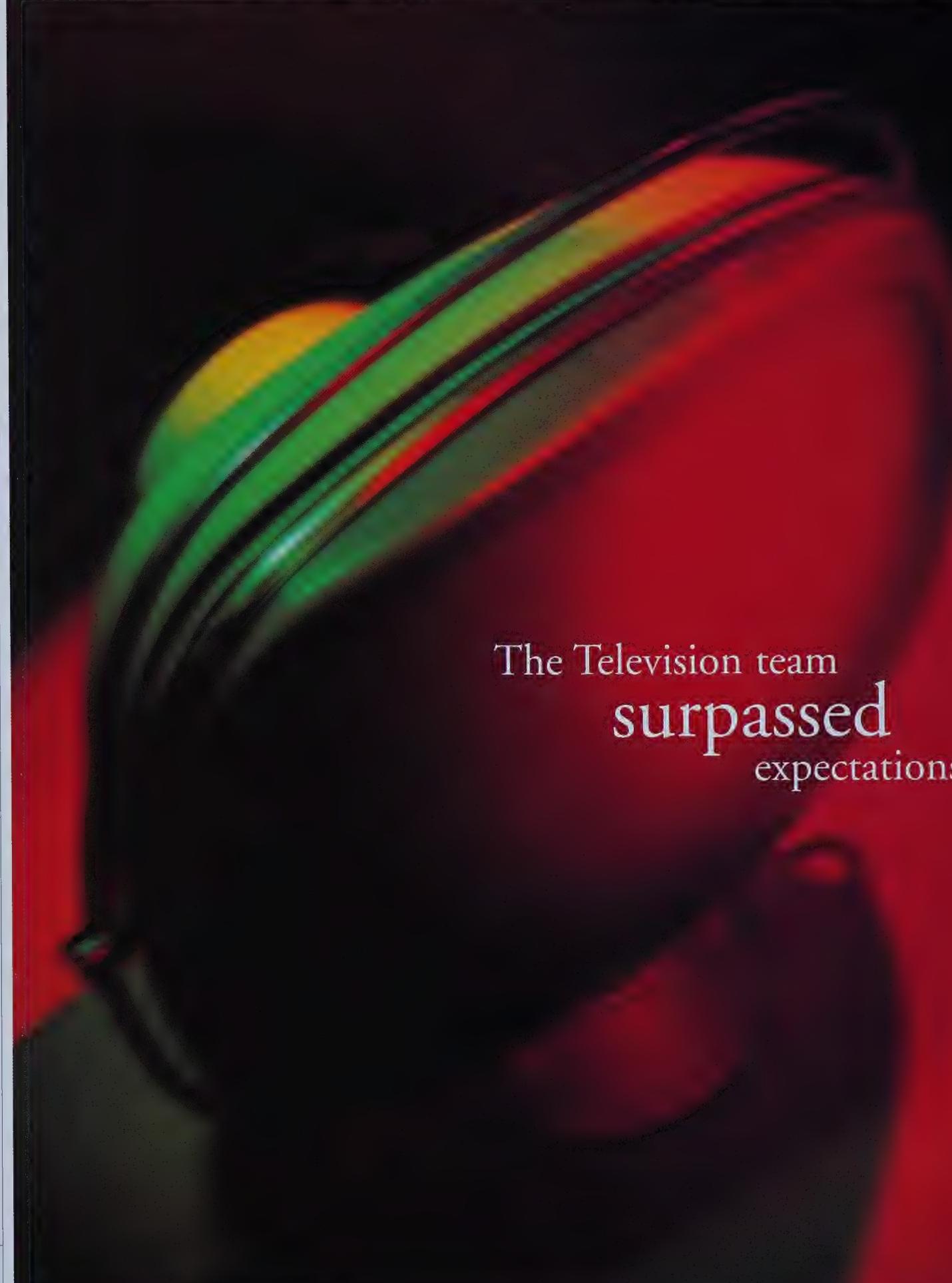


IAN GREENBERG
President and
Chief Executive Officer



ANDRÉ BUREAU, O.C.
Chairman of the Board

October 15, 2000



The Television team
surpassed
expectations

Television Group

Astral Media's Television Group continued to deliver on its mission to offer high quality attractive programming to Canadian audiences. The achievement of new highs in revenue and viewership this past year, stemming from increased viewer satisfaction, secured Astral's role as a broadcasting powerhouse in both the English and French-language markets.

Our pay-TV networks began to fulfill their digital promise by anchoring digital programming packages, allowing us to reach unprecedented subscriber penetration levels of over 60 per cent on direct-to-home television (DTH). Our specialty networks focused on delivering strong, exclusive programming targeted at specific consumer niches, and this strategy bore fruit with marked increases in viewership and revenue on each network. In addition, a commitment to invest in strengthening our individual networks' brands is building a solid platform for expansion, and cementing our competitive position.

We remain in a growth mode. In January, we launched three new French-language specialty channels – Z, Historia, and Séries+. These networks have begun to capture an important new portion of the advertising and viewer base in Québec, and have achieved high consumer awareness levels despite their short time in the market.

We also put our expertise in creating viable, successful television services into the 16 applications for new digital specialty channels that we presented, on our own or with partners, to the Canadian Radio-television and Telecommunications Commission (CRTC) in August. All of the proposed channels focus on extending existing successful franchises or adding new complementary services. Our strategy is grounded in a conviction that new Canadian services should be launched to meet the needs of Canadian consumers before foreign players enter the market. We eagerly await the CRTC's decision, expected this December, and the potential launch of more French and English specialty channels as early as September 2001.

Pay Television

Our commercial-free pay-TV movie networks are driving digital! Last year, DTH's astounding growth underscored the appeal and popularity of our TMN and Super Écran services with consumers. DTH's success also reinforced the marketing benefits of all-in packaging and of eliminating a separate equipment fee from the consumer's value equation for pay television. At the end of September, our two pay-TV networks had a combined subscription base of more than 921,000, a 32 per cent increase from the same date a year earlier.

Moviepix, our classic movie service, increased its base by over 50 per cent in the same period and now reaches some 915,000 subscribers on either the pay or extended basic tiers. As the digital rollout of cable ramps up, acquiring new digital subscribers will be the main focus of Moviepix's future growth.

We are proud of our role as a key supporter
of the Canadian film industry



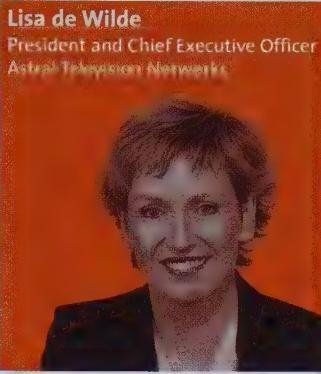
The Perfect Son by Leonard Farlinger

waydowntown by Gary Burns

Our outlook for pay television in general is bullish. We expect that the rollout of digital cable set-top boxes will accelerate rapidly in 2001, allowing more of our analogue cable base to receive our signals via addressable boxes. With the digital cable rollout, we see expansion of the potential pay television universe and a corresponding increase in subscribers as well as the conversion of pirates into paying customers.

Our pay movie networks are the most popular products on the digital box, and our programming strategy is proving to be a winning formula. We offer programming from all of the major and independent Hollywood studios including HBO, as well as the best from Canada – a feat not paralleled by any other pay-TV network in the world. TMN and Super Écran also offer the best exclusive, first window, point-of-difference programming, from boxing events like *Interbox* to critically-acclaimed series like *The Sopranos*. We live by a belief in the necessity of exclusive targeted programming as the cornerstone to success in the digital world.

In 2000, we took a huge leap forward in programming by becoming the first network in Canada to regularly offer high definition television (HDTV) programming. We also added Dolby 5.1 surround sound capability to give our digital customers the full theatrical sound mix. These value-added product enhancements deliver an unparalleled television entertainment experience. From our Toronto Broadcast Origination Centre, which is now a fully "end-to-end" digital facility, we also launched new multiplex channels. In addition, we made all of our channels 24-hour services, bringing our total English-language pay-TV offering to seven channels, and our French-language offering to four channels.



MOVIEPIX

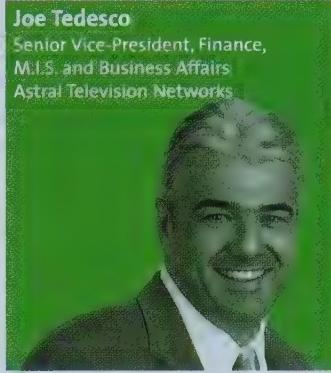
Moviepix is a 24-hour pay television network, with an additional time-shifted channel, that airs timeless and unforgettable movies from the 1960s to the 1990s. Through innovative programming events and informative movie related specials, Moviepix gives viewers in eastern Canada the opportunity to enjoy film gems in a whole new way.



TMN - THE MOVIE NETWORK

TMN - The Movie Network is eastern Canada's charismatic guide to the best in premiere cinematic entertainment, airing English-language blockbusters, exclusive series, boxing events and comedy specials on five 24-hour pay television channels. TMN delivers the most and widest variety of first run major studio movies of any pay television network in the world, as well as the very best of Canadian and international film.

Joe Tedesco
Senior Vice-President, Finance,
M.I.S. and Business Affairs
Astral Television Networks



SUPER ÉCRAN

Super Écran is North America's only French-language pay television network offering movies, exclusive series, boxing and variety shows on four 24-hour channels. Super Écran is Québec's unique individual destination for the best in movie entertainment and specials.



VIEWER'S CHOICE

Viewer's Choice Canada offers convenient, commercial-free in-home viewing of hit movies, live championship sporting events, concerts and many other special events on a pay-per-view basis across eastern Canada. Viewer's Choice offers 48 channels of near-video-on-demand programming available 24 hours a day.

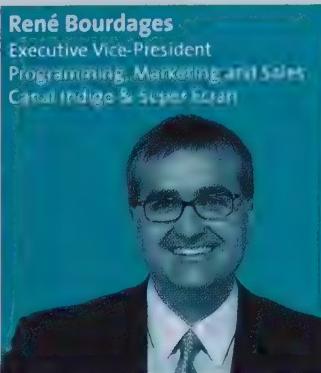
Astral Media owns 50.1 per cent and is the managing partner of Viewer's Choice.



CANAL INDIGO

Canal Indigo, the French-language national pay-per-view network, offers viewers a wide range of commercial-free movies, unique sports events and entertainment on an à la carte basis. The network has 40+ hit channels of near-video-on-demand, giving viewers maximum choice and convenience.

Viewer's Choice Canada, 50.1 per cent owned by Astral Media, is the largest shareholder and managing partner of Canal Indigo.



THE HAROLD GREENBERG FUND/LE FONDS HAROLD GREENBERG

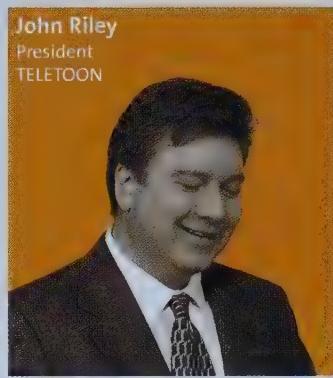
The Harold Greenberg Fund/Le Fonds Harold Greenberg, named for Astral Media's founding president, is a national funding agency established by TMN - The Movie Network and Astral Media to promote the creation of quality Canadian movies. Its English-language programs, sponsored by TMN and Viewer's Choice, offer feature film script development loans and equity investments for feature film production. Its French-language programs, sponsored by Canal Indigo and Astral Media, offer equity investments for the production of feature films, documentaries, special events and music programs, as well as grants for music videoclips.



FAMILY

Family is a premium commercial-free English-language television network offering the best in family entertainment. Family is available in most large markets on an extended basic tier. Dedicated to celebrating family life and providing a fun experience for viewers, Family offers a unique mix of movies, specials and series, with up to 60 per cent of its programming provided by Disney.

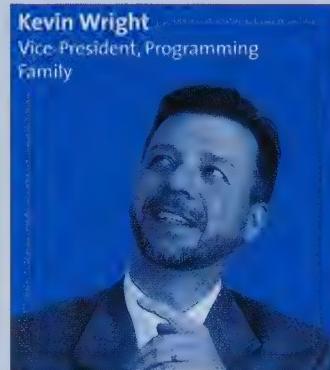
Astral Media owns 50 per cent of Family.



TELETOON

TELETOON, a specialty service offering animation programming for young and old alike, operates two networks, one in English, the other in French. On the air 24 hours a day, it features all forms of animation, including classic cartoons, state-of-the-art animation, original Canadian titles and the best toons from around the world.

Family, 50 per cent owned by Astral Media, is the largest shareholder and managing partner of TELETOON.



Len Cochrane
President and Chief Operating Officer
Family



MUSIQUEPLUS

MusiquePlus, a French-language specialty network, is at the heart of the vibrant Québec popular culture. Serving a 12 to 34-year-old demographic 24 hours a day, it offers viewers the latest in video clips, music, concerts, and entertainment industry news.

Astral Media owns 50 per cent of MusiquePlus.



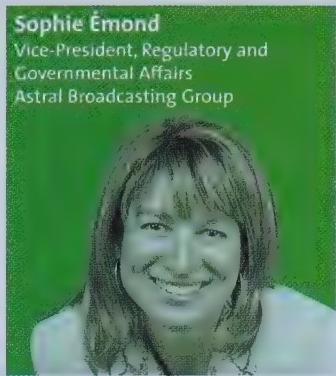
Pierre Marchand
Vice-President and General Manager
MusiquePlus and MusiMax



MUSIMAX

MusiMax, a French-language specialty channel aimed at audiences 34 and over, offers viewers a wide range of videoclips, rockumentaries and concerts of popular and contemporary music. It operates 24 hours a day.

Astral Media owns 50 per cent of MusiMax.



Sophie Émond
Vice-President, Regulatory and
Governmental Affairs
Astral Broadcasting Group

THE COMEDY NETWORK

The Comedy Network is a national specialty channel that targets the Canadian funny bone through a mix of stand-up comics and award-winning comedy series.

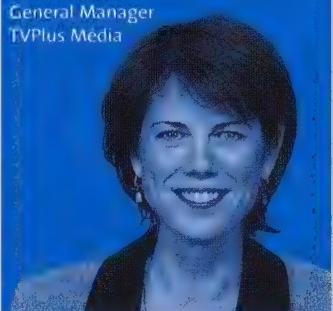
Astral Media has a 15 per cent interest in The Comedy Network.

Claude Lizotte
Vice-President, Sales and Marketing
Astral Broadcasting Group



Chantale Taillon

Vice-President and
General Manager
TVPlus Média



TVPLUS MÉDIA



TVPlus Média sells advertising for specialty television services in the Québec market. It represents those services in which Astral is involved, Canal D, Canal Vie, Z, Historia, Séries+, TELETOON, MusiquePlus

and MusiMax, as well as Life Network, Showcase, History Television, HGTV, Headline Sports, CMT and Food Network.

Jean-Paul St-Denis
Vice-President and General Manager
Télé-Annonces



TÉLÉ-ANNONCES

Télé-Annonces is a televised classified ad service distributed by Vidéotron and Cogeco cable to more than 1.5 million homes a week.



Pierre Roy
President and Chief Executive Officer
Les Chaines Télé Astral



HiSToRiA

Historia, a 24-hour French-language specialty channel, is entirely dedicated to history. Historia offers original programming that has never been released in magazine and documentary format, as well as documentaries and dramas acquired in Canada and abroad.

Astral Media owns 50 per cent and is the managing partner of Historia.

CANAL VIE

Canal Vie is a French-language specialty television network that determinedly strives to promote the well being of its viewers. Its content revolves around three principal themes: lifestyles, physical and mental health and fitness. Airing 24 hours a day, it addresses a predominantly female audience.



Ça fait partie de la vie

Judith Brosseau
Senior Vice-President, Programming
Canal D, Historia & Séries+



CANAL D

Canal D provides discovery and unsurpassed entertaining experiences. A 24-hour French-language specialty network, it is devoted to the world's best documentaries on a wide range of subjects. Canal D also offers viewers biographies, Canadian, American and European feature film classics of the 1950s to 1990s, as well as cult television series.



CANAL FAMILLE

Canal Famille is a French-language specialty channel that offers stimulating and diverse programming for youngsters three-to-14 years old. Canal Famille shows a positive image of youth. Its programming choices favour truthfulness, simplicity, humour and fun. In addition to carefully selected cartoons, the network also highlights real people on air, which helps develop a bond with its young public.



HISTORIA

Historia, a 24-hour French-language specialty channel, is entirely dedicated to history. Historia offers original programming that has never been released in magazine and documentary format, as well as documentaries and dramas acquired in Canada and abroad.

Astral Media owns 50 per cent and is the managing partner of Historia.

Johanne Saint-Laurent

Senior Vice-President Finance,
Operations and Business Affairs
Les Chaines Télé Astral



SÉRIES+

Séries+, a 24-hour specialty service for Francophone audiences, offers a complete selection of dramatic programming, principally from England, Australia, Germany and the United States, that has never been seen on French-language television in Canada.

Astral Media owns 50 per cent and is the managing partner of Séries+.

Z

Z is a French-language specialty television channel whose 24-hour-a-day programming is resolutely turned towards the world of tomorrow. Z is the future! Its mandate is to scrutinize the hottest trends and

share them with a young and generally male audience: science and technology, computers, multimedia, science fiction and the unknown.



la télé
du futur

In early 2001, we will be relaunching our pay television networks' brands, including new logos and on-air looks, supported by full media and subscriber acquisition campaigns. This initiative will enhance our role as Canada's leading supplier of premium entertainment, and will better position our brands with consumers and within the competitive TV market.

Pay-Per-View

In the pay-per-view arena, Viewer's Choice and Canal Indigo have always been at the forefront of new digital delivery technologies. This past year, our most important achievement was the launch of 40 channels of French pay-per-view and 48 channels of English pay-per-view. This is the largest cable offering of pay-per-view in North America and among the first in the world to use fully digital MPEG streaming technology. The networks are now delivering near video on demand with start times as frequent as every 15 minutes. For next year, we are looking to the growing digital base to bring new pay-per-view customers into our fold.

Nuit de noces by Émile Gaudreault



Specialty Television

Astral Media is the dominant specialty broadcaster in the Québec market. Together, our French-language specialty channels represent a significant portion of the Francophone market in Québec. We are a formidable programming entity, attracting strong viewers in key demographics.

Our established French specialty services posted strong viewership gains: Canal D with its target market of men 25-54, Canal Vie with its target of women 25-54, and Canal Famille with its target of 2-17.

In January 2001, Canal Famille, whose licence was renewed this year for another seven-year term, will expand its broadcast day to better serve the teen portion of its audience, beginning at 6am and ending at 10pm. This will be supported by a rebranded look and a full media campaign.

In the eight months since their launch, the three new specialty services, Z, Historia, and Séries+, have managed to capture an impressive viewership share, delivering to their specific target demographics – Z with 18-34 males, Séries+ with 25-54 women, and Historia with 25-54 men. In particular, Séries+'s viewership ranks among the top three of all French-language specialties in Québec. The new services are building loyal audiences with exclusive, unique programming like *Sex in the City* on Séries+, *Les trente journées qui ont fait le Québec* on Historia, and Z's daily flagship show *La Revanche des nerdz*.

To accommodate the growth of our French-language specialty, pay and pay-per-view services, we opened a new broadcasting centre in Montréal last January. The state-of-the-art digital installation can handle origination of more than 50 broadcasting channels.

Our French specialty channels are becoming a significant force in the Québec market. This past year, our television sales rep house, TVPlus Média, reported a dramatic increase in advertising revenues, driven in part by Canal D's foray into advertising and the inclusion of Canal Vie. Based on higher sell-out rates and higher average revenues per minute, we see a bright future for increased advertising sales as our newest services gain viewers.

With the growing demand for advertising on all specialty services, we enlarged the scope of TVPlus Média's operations to better serve the marketplace. In addition to the eight French-language channels in which we are involved, TVPlus Média now also represents eight English-language services in the Québec market, TELETOON, Life Network, HGTV, History Television, CMT, Showcase, The Food Network and Headline Sports.

Astral Media is the dominant specialty broadcaster in the Québec market

Early in Fiscal 2000, Family launched an impressive and successful rebranding program, repositioning itself as a fun, dynamic network. The network had a significant increase in overall viewership especially with its two key demographics – children 2-11 and teens 12-17.

TELETOON's revenues reached a high last year, with advertising dollars more than doubling! The English-language TELETOON service maintained its position as the second most popular station with Canadian children aged 2-11. Additionally, it is also capturing a larger portion of the adult 18-49 category. In French, TÉLÉTOON continues to lead the pack as the most popular French-language specialty network. It has the highest viewership of any specialty channel in Québec, and holds the coveted top spot with teens, children and women.

MusiquePlus and MusiMax continued to reinforce their strong position in Québec's music and hip street scene by offering unique, high appeal original programming. Programs like *Musicographie* and *Artistes du mois* featured high profile Québécois entertainers like Pierre Lalonde, and brought high-powered international artists like David Bowie and Janet Jackson into the MusiquePlus studios. These networks have successfully used their parallel presence on the Internet – they were the first Québec-based broadcasters to have a web site – and are now generating revenue from their online activities.

Télé-Annonces, our televised classified ad service, had a very successful year. Previously distributed only on the Vidéotron cable system, we added the Cogeco system this year and the service now reaches over 1.5 million homes throughout Québec each week.



Last year, Astral Media's Harold Greenberg Fund, (the Fund), created by Astral in 1986 to foster the creation of quality Canadian movies through the funding of scripts, reorganized itself into an English program and a French program. As part of the benefits flowing from the acquisition of Radiomutuel's broadcasting licences, three new programs for French-language documentaries, music programming and videoclips were added.

We are proud of our role as a key supporter of the Canadian film industry. Since its inception 13 years ago, the Fund has spent over \$24 million on Canadian programming. Last year, nearly \$2 million went to Canadian independent producers and writers. The Fund also saw 27 per cent of the script development projects it funded in the year 2000 go into production – a much higher number than the industry norm, which averages one out of every 100 scripts actually making it to the screen.

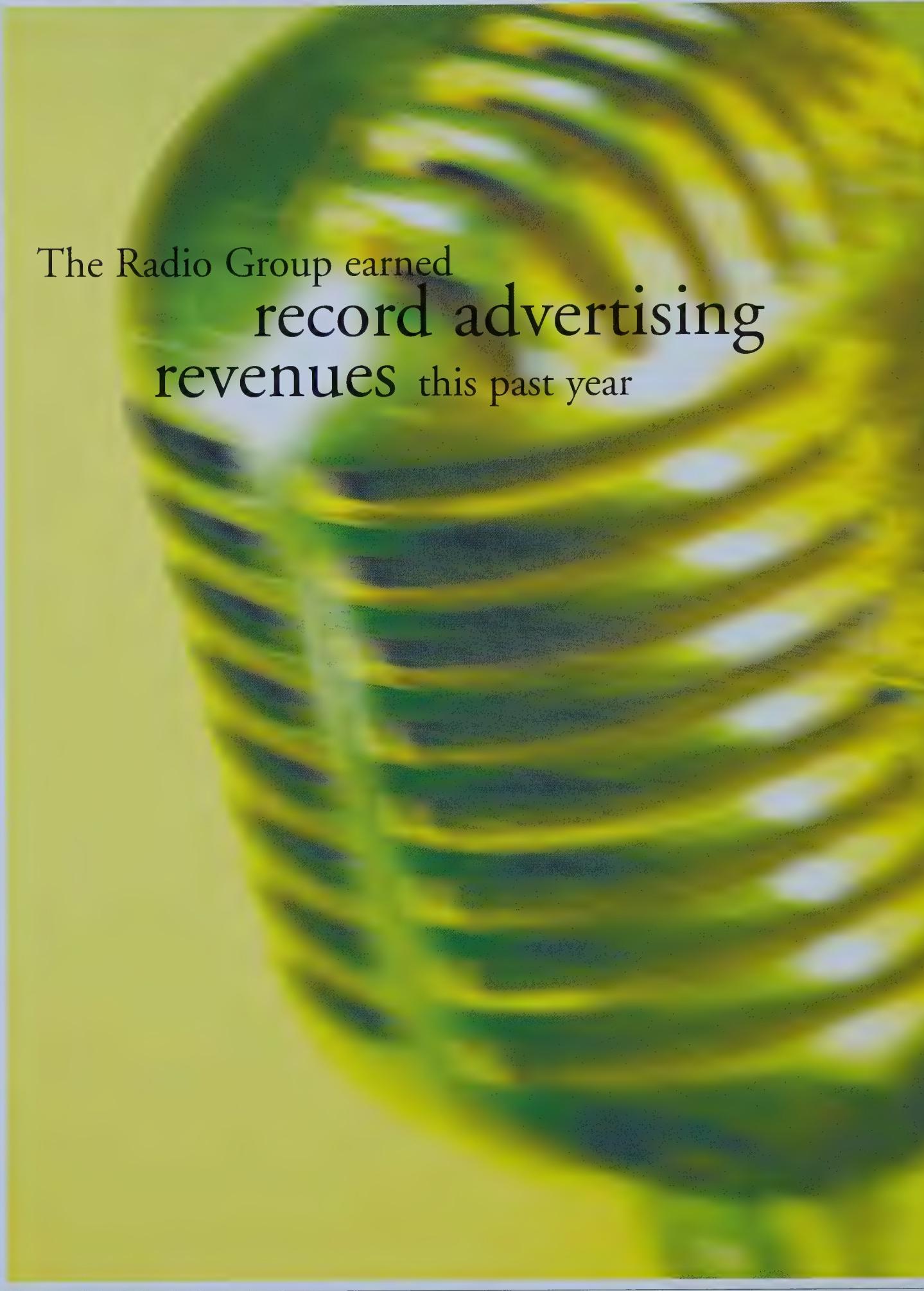
Among the movies supported by the Fund which premiered to acclaim this year were: Gary Burns' *waydowntown*, which won Best Canadian Feature at the Toronto International Film Festival; Robert Lepage's *Possible Worlds*; and Michel Jetté's *Hochelaga*, in competition at the Montréal World Film Festival. Other Astral-supported successes of the past year were Istvan Szabo's Genie Award-winning *Sunshine*, and Denys Arcand's *Stardom*, which opened the Toronto International Film Festival.

Among the upcoming films in which the Fund made equity investments are Clement Virgo's *Love Come Down*, *The Law of Enclosures*, directed by John Greyson, *Nuit de noces*, by Émile Gaudreault, *Chocolats, crème glacée et autres consolations*, by Julie Hivon, and the documentary *La Rencontre de Clara et Chaim*, directed by Garry Beitel.

Conclusion

As the universe goes digital, our pay and specialty networks are in an enviable position with attractive, strong niches and quality programming that meets the needs of Canadian television viewers. Pay television, in particular, is poised to benefit from consumers' pent-up demand for high quality, commercial-free movie-based premium channels, and the enhanced picture and sound quality that mark the digital entertainment experience.

Our strategic focus is to continue to strengthen our competitive position via our front line – our growing presence in Canadian homes. We are creating local links, gaining consumer loyalty and building strong brands – all valuable commodities in the media business.



The Radio Group earned
record advertising
revenues this past year

The Astral *Media* Radio Group is a major force on the Québec radio scene, with FM and AM stations in all major markets in the province. The Radio Group earned record advertising revenues this past year, while the Radio Énergie network enjoyed the highest BBM numbers in its history. The network is the undisputed ratings leader in Québec among young listeners, with the latest ratings showing that 1.9 million listeners tuned in for an average of 20.1 million hours per week. Radio Énergie is top rated in the 18-34 and 18-49 groups in all markets, the key demographic for radio advertisers.

Radio

Radio Énergie targets Québec's young adults with a lively mix of music, humour, promotions, personality and contests – programming that reflects their concerns and their way of life and creates one of the key ingredients for success: listener loyalty.

A constant in their format is quality through creativity and innovation, maintaining distinctive sound and high energy. Radio Énergie is big enough and strong enough to position itself throughout the province as the one to listen to, while at the same time, flexible and with their "ears to the ground" to respond to local needs.

Rather than rest on its numbers, Radio Énergie strives constantly to build its audience and keep the sound fresh and alive. It does that, in part, by contributing significantly to the development of Canadian music and Québec artists through organizations like the École nationale de l'humour and MusicAction.

We pride ourselves on our diversified programming that responds to the needs of a wide audience. In addition to Radio Énergie, our three AM stations and Radiomédia offer a distinctive blend of information programming, including news, public affairs and sports. And our stations provide a forum for listeners who want to be heard, and who thrive on entertaining debate and discussion of community, national and international issues.

Strategy and Growth

Radio is a powerful medium in Québec, making it extremely attractive to advertisers. While we generated the highest revenues in the Group's history in Fiscal 2000, our sales force is determined to build on that success to ensure significant revenue growth over the next few years. We are working to improve our sales force with training and the latest in technology to facilitate research. Meeting the needs of our clients and their growth goals ensures that we reach our objectives.

We are also making particular efforts to maximize the revenue potential of our web sites.

Just 10 years ago, there was not a single radio station broadcasting on the Internet. Today there are more than 9,000. We're convinced that the changes to come during the next 10 years will be far more dramatic than what we've seen over the last 10 years.

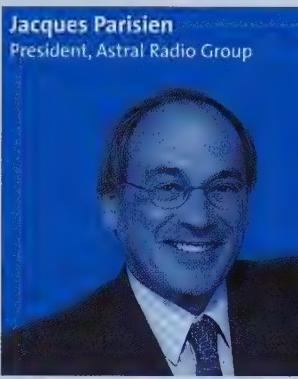
The next decade will be one of risk and opportunity. Traditional radio is evolving in a universe undergoing a vast technical revolution. But of all media being buffeted by these technological shockwaves, radio, with its powerful branding and the strength of its on-air personalities, is in the best position to flourish and profit. Over the next 10 years, it will be brands and content that will build the strongest franchises. Radio must adapt its content to the demands of the multimedia universe.

Radio Énergie is proud that its web site – www.radioenergie.com – accumulates more than 400,000 hits each month. In fact, it is the busiest media site in Québec, and this October won a gold medal as the best media web site at the International Multimedia Market held in Montréal.

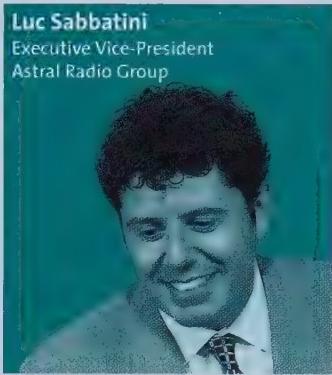
Through the Internet, Radio Énergie has established a new form of interactive relationship with its audience. The net gives listeners access to a variety of services and broadcasts in real time from the stations on the network. During the next year, Radio Énergie will continue to develop its web site and will create new Internet networks that will expand the presence and the image of its brand on the web.

After several years of fine-tuning, digital radio was launched in Montréal in November 1999. Radio Énergie's CKMF was among the first to broadcast digitally, giving its audiences a sound signal superior to traditional analogue radio, as well as lists of the songs broadcast, news bulletins, traffic, weather, and information about advertisers, all at the discretion of the listener. The launching of digital radio is slated for Hull/Ottawa in 2001 and Quebec City a year later. Our plans call for all our stations to upgrade from analogue to digital over the next three years.

Satellite radio, with its capacity to receive an unlimited number of stations broadcasting anywhere in the world, will begin operating in the United States this December. With an initial investment of US\$2.3 billion, it is, without a doubt, one of the biggest developments in the history of radio. This new technology will enter the Canadian market in the coming months, and Astral Media will monitor this new challenge very closely.



Jacques Parisien
President, Astral Radio Group



Luc Sabbatini
Executive Vice-President
Astral Radio Group

CKMF-94.3 Montréal
CKTF-104.1 Gatineau/Hull
CIMO-106.1 Sherbrooke/Magog
CJMM-99.1 Rouyn-Noranda
CHIK-98.9 Québec
CIGB-102.3 Trois-Rivières
CJAB-94.5 Chicoutimi/Jonquière
CJMV-102.7 Val-d'Or

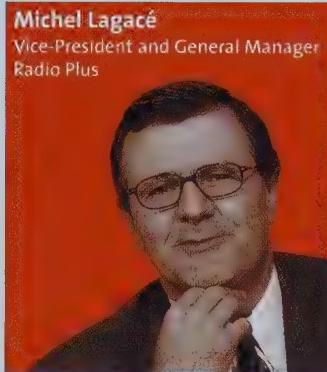
RADIO ÉNERGIE — FM

Radio Énergie is the largest private FM radio network in the country, with stations in eight Québec centres - Montréal, Québec, Gatineau/Hull, Sherbrooke/Magog, Trois-Rivières, Rouyn-Noranda, Val d'Or and Chicoutimi/Jonquière. A distinctive part of each community it serves, Radio Énergie broadcasts 20 million hours a week to more than 1.9 million listeners, most of them between the ages of 18-34.

AM RADIO

CJRC-1150 Ottawa/Hull
CKRS-590 Chicoutimi/Jonquière
CKSM-1220 Shawinigan

There are three AM stations in the division, serving Ottawa/Hull, Chicoutimi/Jonquière and Shawinigan. All are affiliated with the Radiomédia network.



Michel Lagacé
Vice-President and General Manager
Radio Plus

RADIOMÉDIA

La radio de l'information

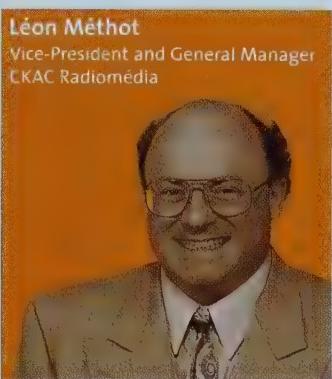
CKAC-730 Montréal

CHRC-80 Québec

RADIOMÉDIA

Radiomédia operates two of Québec's foremost AM stations: Montréal's CKAC and CHRC in Quebec City, as well as its leading news and sports networks. It also owns Radio Plus, a radio ad sales agency.

Astral Media owns 50 per cent of Radiomédia.



Léon Méthot
Vice-President and General Manager
CKAC Radiomédia

Outdoor Advertising

The outdoor advertising business is in a period of vigorous expansion. The emergence of new products, coupled with the continually escalating demands of advertisers, has allowed *Astral Media* Outdoor (formerly Omni Outdoor) to reinforce its position as one of the leading outdoor advertising companies in Canada.

Offering a wide variety of unique, eye-catching products and a network of 3,400 strategically positioned advertising faces in Québec, Ontario and British Columbia, *Astral Media* Outdoor recorded a 22 per cent increase in sales during the past fiscal year, outstripping industry norms. As well, the company saw solid growth of 18 per cent in the number of its advertising faces, expanding its market share, and proving the effectiveness of its development strategies.

We added to our dominant presence in the Québec market this past year with the construction of 126 horizontal faces and 24 super panels (14' X 48') in the Greater Montréal area and 40 new faces in Quebec City and Sherbrooke.

Under a 30-year agreement with the City of Montréal, we added 50 new Urban Columns in the central core of the city, giving us 650 of these distinctive forms of urban furniture in the Greater Montréal area.

For several years we have been expanding into urban centres throughout the province. Because of our reputation as a developer of unique outdoor advertising concepts, last year we concluded new agreements in Mirabel, St-Jérôme, Bois-des-Filion, Repentigny, Chicoutimi and Waterloo.

In Ontario, through an acquisition, *Astral Media* made impressive additions to its repertoire of spectacular products with the addition of nine mega-murals strategically located in downtown Toronto. As well, we have put in place a program of optimization by converting ten static panels to Trivision, all contributing to improve the services we offer our advertisers.

In British Columbia, 21 new horizontal faces have been added to our network, strengthening our market share.

We are moving forward with our expansion into the United States through a long-term agreement with the city of Cleveland for the installation of 195 Urban Columns. The installation of the first 55 will be completed this fall, with the balance to be installed over the next two years.

Fiscal 2000 was ripe with the development of new markets, launching of new products, welcoming new categories of advertisers, intriguing creative work for special projects, strong growth in sales, employee training and a reorganization of some methods of doing business.

Astral Media Outdoor approaches the future with confidence. We are taking concrete measures to ensure the continued growth and prosperity of our business. During this era of unquestionable vitality in the medium of outdoor advertising, we have succeeded in consolidating our position as a major and distinctive player and a significant contributor to the overall strength of our business partners.



ASTRAL MEDIA OUTDOOR:

Astral Media Outdoor is one of Canada's fastest growing and most innovative outdoor advertising companies. Noted for the original and striking shapes and designs of its advertising faces, *Astral Media* Outdoor has some 3,400 faces in Québec, Ontario and British Columbia. *Astral Media*

Outdoor has developed an expertise in urban furniture, with a network of 650 Urban Columns in Montréal and an exclusive agreement for advertising in the Montréal airports. Building on this know-how to expand its markets into the United States, *Astral Media* Outdoor has entered into an agreement with the city of Cleveland, and is in discussions with other municipalities

Astral Media owns 79 per cent of *Astral Media* Outdoor.



Peter Bartrem
Vice-President and General Manager
Astral Media Outdoor, Toronto



Astral Media
OUTDOOR

e-business

Astral Media, which has a presence on the Internet through 13 web sites, most of which are pushed by a number of our television and radio properties, is now moving to build on that presence in order to do business on the Internet.

The e-business sector is one that is most turbulent. A major contributing factor is technology, which is not only changing the way of doing business but is also changing the roles of industry players. That is why we are committed to explore the future judiciously.

Our Internet philosophy is based on the principles that drive our business: delivering an entertaining and informative experience in the context of a community of interest. During the past two years, we essentially applied a "do and see" approach to build a critical mass audience and increase our presence on the Web. Our specialty channels and radio stations were, in fact, major catalysts in the success of Internet projects such as radioenergie.com and ztele.com.

The next phase, building Astral Media's positioning on the Web, will be characterized by three factors: it will be structured; sustainable; and part of Astral Media's vision. The positioning we seek must be beneficial to the value of our Company and, therefore, must be backed by a sound business model.

Our efforts on the Web aim and will continue to aim at reinforcing our leading position in media by creating new engaging ways for the audience to participate in the entertainment communities of their choice.

Winning on the Internet implies putting the right blocks together. To achieve our goal, we will aggressively pursue new alliances that ensure a complete experience for the audience while resulting in business success.

In a related field, our Artech Digital Entertainments subsidiary, a leading developer of games and software, had another successful year. *Q*bert*, developed for Atari, won Best Puzzle Game of the Year in the US, while *Wheel of Fortune* and *Jeopardy* developed for Hasbro topped 3 million units in sales and received Gold Awards from Sony.

Wheel of Fortune II and *Jeopardy II* are set for release late in the year, along with *Family Feud* with Pearson TV and *Scary Movie* with Disney. Three new titles are also under development with Artech's longtime publishing partner, Hasbro Interactive.

Looking ahead, Artech was selected as an official developer for Sony's PlayStation 2, and Artech Interactive TV (AITV) was chosen by Intel Corporation to be part of the new Pentium 4 launch. AITV is developing the next generation of hybrid online interactive television as part of the Intel Broadband program.



Paul Butler

Director
Artech Digital
Entertainments



Rick Banks

Director
Artech Digital Entertainments



ARTECH



Artech Studios is one of North America's leading developers of new media games and software, working with such industry leaders as Hasbro, Sony Pictures, Disney, and Lucas Films. Many of its titles have topped the million-unit sales mark and have won numerous awards. Artech is currently working with Intel on developing programming for interactive television, and is an official developer for Sony's PlayStation 2.

Astral Media owns 51 per cent of Artech.

Board of Directors

André Bureau, O. C.

Chairman of the Board of the Company
President and Chief Executive Officer
Astral Broadcasting Group Inc.

Ian Greenberg

President and Chief Executive Officer
of the Company

Normand Beauchamp

President
Capital N.D.S.L. inc.

Austin C. Beutel

Corporate Director

Edward M. Bronfman, O. C.

President
Maured Limited

Jack L. Cockwell

President and Chief Executive Officer
Brascan Corporation

George A. Cohon, O. C.

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McDonald's Restaurants of Canada Limited

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Timothy R. Price

Chairman of the Board
Tilon Financial Corporation

Corporate services

Arnold Chiasson

Vice-President
Human Resources



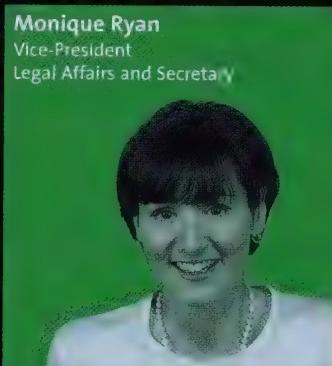
Claude Gagnon

Vice-President
Finance



Monique Ryan

Vice-President
Legal Affairs and Secretary



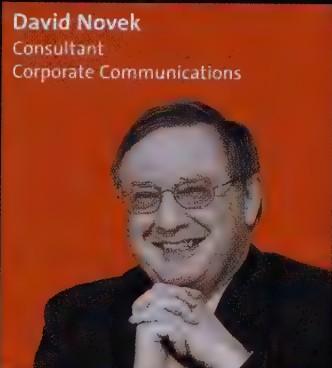
Louis Ryan

Vice-President
e-business



David Novek

Consultant
Corporate Communications



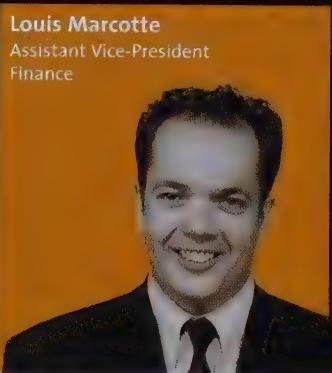
Anne McNamara

Assistant Vice-President
Human Resources



Louis Marcotte

Assistant Vice-President
Finance



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following comments on the financial situation and the results of operations of Astral Media Inc. ("the Company") should be read in conjunction with the Company's audited financial statements.

General

Astral Media is Canada's largest operator of English and French specialty, pay, and pay-per-view television services, involved, on its own or with partners, in 20 network licences. In radio, the Company owns the eight-station, French-language Radio Énergie FM network and three AM stations, and is a 50 per cent owner of Radiomédia, which operates two of Québec's foremost AM stations and its leading radio news and sports networks. Astral Media Outdoor (formerly Omni Outdoor and hereinafter "Astral Outdoor") is one of Canada's fastest growing and most innovative outdoor advertising companies, with some 3,400 faces in Québec, Ontario and British Columbia. Astral also has a presence on the Internet through 13 web sites, and has a majority interest in Artech Digital Entertainments, a leading developer of games and software and now working on developing programming for interactive television.

Accounting principles and presentation

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. A summary of the Company's accounting policies is available in note 1 of the audited financial statements.

Management's Discussion and Analysis is based on the pro-forma results of fiscal 2000 which are compared to the fiscal 1999 figures. The pro-forma results include the consolidated accounts of Astral Radio Group Inc. (formerly Radiomutuel Inc. and hereinafter "Mutuel") from September 1, 1999 as if its acquisition had been approved at that date by the Canadian Radio-television and Telecommunications Commission ("CRTC"). Also, the results are based on the Company's continuing operations which include the Television, Radio and Outdoor Advertising segments, the latter two of which were acquired as part of Mutuel. Results from discontinued segments have been reclassified for both fiscal years so that the information is comparable.

Results are summarized as follows for the years ended August 31:

(in thousands except per-share data)

	2000	1999
	Pro-forma	
Revenues from operations		
Television	\$207,685	\$138,081
Radio	45,261	-
Outdoor advertising	29,991	-
	<hr/>	<hr/>
	\$282,937	\$138,081
Earnings		
Television	\$ 38,575	\$ 26,538
Radio	3,942	-
Outdoor advertising	6,500	-
Share of equity earnings	455	2,283
Corporate costs (including \$659 of depreciation; 1999 – \$595)	(10,807)	(7,407)
Net interest (unallocated to segments)	(8,295)	(2,191)
Non-controlling interest	(1,722)	-
	<hr/>	<hr/>
Earnings from continuing operations before income taxes	28,648	19,223
Income taxes	15,620	8,205
	<hr/>	<hr/>
Net earnings from continuing operations	13,028	11,018
Net earnings from discontinued operations	532	3,906
	<hr/>	<hr/>
Net earnings	\$ 13,560	\$ 14,924
Earnings per share – continuing operations	\$ 0.67	\$ 0.74
	<hr/>	<hr/>
EBITDA from continuing operations	\$ 61,734	\$ 31,286
EBITDA per share – continuing operations	\$ 3.20	\$ 2.11

Highlights

The Company is proud to report record earnings from continuing operations of \$28.6 million for the fiscal year 2000 compared to \$19.2 million in 1999. Highlights for the year include:

- The CRTC's approval of the acquisition of Mutuel on January 12, 2000. The approval added four French-language specialty television services to Astral's broadcasting assets, the wholly-owned Canal Vie and Z, MusiquePlus and MusiMax, which are owned jointly with CHUM Ltd. In addition, Astral now owns the Radio Énergie network of eight FM radio stations, as well as three AM stations, all located in key markets throughout Québec. It also owns 50 per cent of Radiomédia, which operates two of the province's most important AM stations and its leading news and sports networks. Telemedia owns the remaining 50 per cent. As part of the acquisition of Mutuel, the Company also acquired a 72% interest in Astral Outdoor which interest was increased to 79% effective September 1, 1999.
- Astral's financial results reflect its exit from the video and technical services businesses. During the fiscal year, Astral sold the AstralTech Video Duplication Centre ("AstralTech") and closed the Astral Home Entertainment wholesaling operation. Subsequent to year-end, it announced that it was selling its 63.15% controlling stake in Covitec Group Inc. ("Covitec"). The three businesses have been treated as discontinued operations. However, while the operating results of the Covitec technical services unit for this past year have been reclassified in discontinued operations, the gain on the sale of the shares will only be recorded in the first quarter of the 2001 fiscal year.
- In January 2000, the Company launched three new French-language specialty services, Z, Historia and Séries+. The latter two are jointly owned by Astral and Alliance Atlantis.
- The opening of a \$10 million state-of-the-art broadcasting centre in downtown Montréal to handle origination of some 50 broadcasting channels for eight of Astral's French-language specialty, pay and pay-per-view services.
- TMN – The Movie Network and Super Écran had a combined subscription base approaching one million at the end of fiscal 2000. TMN had 592,000 subscribers and Super Écran 300,000 for a combined total of 892,000 subscribers as at August 31, a 28 per cent increase from 699,000 on the same date a year earlier.
- Astral Media was also involved in 16 applications for digital specialty television licences that were filed with the CRTC. Public hearings were held in late summer and it is expected the CRTC will render its decisions before the end of the 2000 calendar year.

Revenues from Operations

Revenues from operations for the year ended August 31, 2000 were \$282.9 million compared to \$138.1 million for the previous year.

Television revenues increased to \$207.7 million from \$138.1 million in the prior year. The increase is partly attributable to the acquisition of Mutuel, which operated three French-language specialty services, as well as the favourable impact, particularly in pay television, of the strong growth of direct-to-home (DTH) subscriber levels. Revenues generated in fiscal 2000 by television services already owned and operated by Astral in the prior fiscal year increased by 24% on a year-over-year basis. Revenues for the three new services launched in January 2000 are included from May 2000 as they were offered on a free-preview basis for their first three months of operations.

Radio revenues were new to the Company in Fiscal 2000 and they amounted to \$45.3 million. This represents a 13% increase from the prior year when they were not included in the Company's results. The increase is due to strong national and local sales and to strong BBM ratings.

Outdoor Advertising revenues were also new to the Company and amounted to \$30.0 million for the year. This represents a 22% increase from the previous year and is due to strong demand for non-traditional forms of advertising.

Earnings

Earnings before income taxes from continuing operations for the year ended August 31, 2000, increased to \$28.6 million, up from \$19.2 million for the previous year, an improvement of \$9.4 million or 49%.

Earnings from **Television** amounted to \$38.6 million in fiscal 2000 which is 46% higher than the \$26.5 million of the prior year. The improvement is explained by the additional licences included in the Mutuel acquisition and the continued growth of DTH subscribers. The results from the three new services launched in January 2000 are included from May 2000, when the free-preview period ended and prior to which they were capitalized.

Radio earnings amounted to \$3.9 million in fiscal 2000 and **Outdoor Advertising** earnings amounted to \$6.5 million for the same year.

Net interest expense of \$8.3 million in fiscal 2000 has increased by \$6.1 million due mostly to the increased debt level resulting from the acquisition of Mutuel in July 1999.

The Company amortizes its **broadcast licences** over 40 years. This resulted in an annual non-cash charge to income of \$8 million in fiscal 2000, \$4.4 million higher than the prior year due to a full year's impact of the acquisition of Mutuel's television and radio licences which resulted in a \$160.3 million increase to the carrying amount of the Company's broadcast licences. Astral is involved, on its own or with partners, in 20 television network licences and 13 radio station licences. The Company believes that there has been no impairment to the carrying value of the broadcast licences on its balance sheet.

Goodwill of \$81.4 million was added to the Company's balance sheet in fiscal 2000, most of which is related to Astral's outdoor advertising business. The amortization of goodwill amounted to \$2.5 million for the year.

The effective **income tax** rate of 40.4% has remained at a level consistent with last year's rate of 39.4%.

The previously described improvement of earnings before income taxes resulted in an increase of **net earnings from continuing operations** to \$13.0 million from \$11.0 million last year, or an 18% increase year over year. **Earnings per share from continuing operations** of \$0.67 compares to \$0.74 recorded last year. The decrease was due to the dilution effect of a higher number of shares outstanding related to the issue by the Company of 5 million shares in July 1999 to partly finance the Mutuel acquisition.

EBITDA increased 97% to \$61.7 million in 2000 from \$31.3 million in 1999 due mainly to the acquisition of Mutuel and the strong performance of the operating segments as described above.

The following highlights the Company's **quarterly performance** for fiscal 2000 and 1999:

(in thousands except per-share data)	2000				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues from operations	\$65,574	\$66,057	\$73,198	\$78,108	\$282,937
EBITDA from continuing operations	12,766	15,615	17,710	15,643	61,734
Net earnings from continuing operations	1,866	3,625	4,215	3,322	13,028
Earnings per share from continuing operations	\$ 0.10	\$ 0.19	\$ 0.21	\$ 0.17	\$ 0.67
EBITDA per share from continuing operations	\$ 0.66	\$ 0.81	\$ 0.91	\$ 0.82	\$ 3.20
Cash flow per share from continuing operations	\$ 0.40	\$ 0.49	\$ 0.57	\$ 0.51	\$ 1.97

(in thousands except per-share data)	1999				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues from operations	\$31,530	\$34,693	\$35,741	\$36,117	\$138,081
EBITDA from continuing operations	5,497	6,819	8,645	10,325	31,286
Net earnings from continuing operations	1,577	2,040	3,551	3,850	11,018
Earnings per share from continuing operations	\$ 0.11	\$ 0.15	\$ 0.25	\$ 0.23	\$ 0.74
EBITDA per share from continuing operations	\$ 0.39	\$ 0.49	\$ 0.61	\$ 0.62	\$ 2.11
Cash flow per share from continuing operations	\$ 0.22	\$ 0.31	\$ 0.35	\$ 0.46	\$ 1.34

Liquidity and Financial Resources

Cash and short-term investments have increased to \$11.9 million this fiscal year from \$7.5 million in 1999. The Company's cash optimization policy is not to carry any cash balances in its wholly-owned subsidiaries in order to minimize bank debt and related interest expense. The increase in the cash position this year originated from joint ventures with positive cash flows.

The Company had negative **working capital** of \$16.6 million in 2000 down from the negative amount of \$13.4 million in 1999 due mainly to its cash optimization policy.

Accounts receivable and other current assets have increased from \$21.9 million in 1999 to \$58.8 million in 2000 principally as a result of the acquisition of Mutuel. Higher revenues in fiscal 2000 have also contributed to the increase.

Program and film rights have increased to \$38.7 million in 2000 from \$25.7 million in 1999. Program and film rights on the balance sheet represent the unamortized cost of programming product acquired by the Company's television networks. The increase stems from the services acquired from Mutuel as well as the three new services launched in January 2000.

Investments include the Company's 14.95% interest in The Comedy Network Inc. which is accounted for on an equity accounting basis. The 4.98% interest in Motion International Inc. ("Motion") was sold during the year, the result of which was included in discontinued operations. The Mutuel acquisition which was recorded as an equity investment at the end of the previous year has been consolidated since January 12, 2000, date of the CRTC approval.

Other assets include deferred charges, a deferred pension asset and employee loans. Deferred charges include network licence application, development and pre-operating costs which are amortized over the term of the licences. A non-cash charge of \$2.8 million is included in income, up from the \$1.9 million of the previous year due to the amortization of deferred charges arising from the launch of the three new services in fiscal 2000.

The increase in **accounts payable and accrued liabilities** from \$56.8 million last year to \$75.4 million for the current year is due mainly to the acquisition of Mutuel.

The Company has access to **consolidated operating credit facilities** of \$67.5 million. As at August 31, 2000, \$9.7 million of these facilities was used. Year over year, the Company's loan levels drawn from its operating facilities have increased by \$9.5 million.

Long-term debt has decreased to \$100.9 million at the end of fiscal 2000 from \$125.7 million a year earlier. Positive cash flows from operations and proceeds from the sale of AstralTech and Motion are responsible for the reduction of long-term debt. On September 14, 2000, the Company issued 2.5 million Class A non-voting shares for net proceeds of \$92.4 million which were entirely applied to debt reduction. The impact is reflected in the pro-forma consolidated balance sheet as at August 31, 2000. The Company has a term credit facility of \$145 million of which \$7.5 million is used after applying the proceeds of the share issuance.

The Company's **debt to equity** ratio based on total long-term debt remains low at 0.32:1 at August 31, 2000, compared to 0.42:1 at August 31, 1999. It was further reduced to 0.02:1 on September 14, 2000 following the share issue.

Cash flow from continuing operations increased to \$38.1 million or \$1.97 per share in fiscal 2000 from \$19.9 million or \$1.34 per share for the prior year. The Company's cash was used mainly to finance capital expenditures and to repay long-term debt.

The **capital stock** of the Company increased by \$4.2 million during the year as a result of the issuance of 207,890 Class A non-voting shares related to the employee stock option and share purchase plans. **Shareholders' equity** increased to \$311.6 million from \$299.7 million. The **book value per share** of the Company increased by 2.9% to \$16.02 per share as compared with \$15.58 per share at August 31, 1999. Shares outstanding at year end have increased to 19.4 million from 19.2 million. Following the 2.5 million share issue, the pro-forma book value per share is \$18.49.

Capital Expenditures

Capital expenditures increased to \$19.2 million in fiscal 2000 from \$5.7 million for the previous year and pertained mostly to the addition of new outdoor advertising panels, a new broadcast centre in Montréal and ongoing equipment upgrades. Capital spending in the coming year is estimated at \$15 million, of which the largest portion will be spent by Astral Outdoor for new panels. The balance will be used mainly for systems and equipment upgrades.

Risk and Uncertainties

Technology and communication protocols are constantly changing and impact all of the Company's Television and Radio activities. The Company has generally shown itself to be a leader in most of its businesses rather than reacting to developments by others and has managed to benefit from new technologies.

The Company's Radio and Outdoor Advertising revenues, and a growing portion of its Television revenues are derived from the sale of advertising. **Advertising sales** are subject to fluctuations as a result of changes in the economic environment, the marketplace and media ratings. The Company constantly monitors changes in its operating environment in order to minimize any possible adverse effect of these changes.

The Company's Television businesses have one or more significant **customers**. The industry has undergone consolidation and as a result, a small number of cable companies comprise the majority of the base for the Company's networks. This risk has been reduced as competing DTH distribution undertakings have achieved

appreciable levels of subscriber penetration. With the continuing growth of DTH subscribers, the Company will benefit from higher subscriber revenues. There is always a risk that the loss of an important relationship would have a significant impact on any particular business unit. To alleviate this risk, the Company enters into long-term contracts with customers.

The Company's Television and Radio broadcasting units are **regulated** by the CRTC. While this regulated framework currently provides a stable environment and protects the Canadian broadcasting industry from undue foreign influence, these circumstances could change at any time. The impact on the Television and Radio segments of any possible changes to broadcast policy and regulations cannot be determined. However, the broadcasting licences held by the Company are in good standing and Astral is confident of its ability to satisfy the conditions of licence of its broadcast undertakings.

The Company has eagerly anticipated the rollout of new **digital cable set-top boxes** with their ability to increase channel capacity and encryption technology which deters signal theft. This should have a positive impact on the Company's pay television and pay-per-view operations. While cable operators have begun the rollout of new boxes, it is not known when a significant number of boxes will be made available. In the interim, the Company focuses on changeouts of set-top boxes with smaller cable operators who continue to work with analogue technology.

The Company has recently expanded the availability of the number of **pay-per-view channels** offered by Viewer's Choice and Canal Indigo to accommodate subscribers in areas benefiting from increased digital capacity. Other areas in which channel capacity is limited offer a reduced number of pay-per-view channels. Although this does not affect the line-up of hit movies, live sports events, comedy specials and concerts, it does reduce the frequency of start times.

The CRTC from time-to-time issues new licences for a variety of services. **Competitive licences** granted to other companies increase the competition for viewers, programming and advertising dollars. There also exists competition for the computer-literate consumers who now spend part of their leisure time in front of the computer and on the Internet as opposed to the television. These factors have not had a measurable effect on the revenues or earnings of networks within the Television Group. Furthermore, the Company does not believe that potential competing video-on-demand ("VOD") services will have an impact on any of its services in the foreseeable future.

Outlook

The Company is involved in a dynamic industry which offers both opportunities and challenges. As the CRTC changes the regulatory framework, the Company has the opportunity to apply for or acquire more licences but at the same time is facing increased competition within the Canadian broadcasting market.

The **Television** segment is looking forward to an increase in earnings in fiscal 2001 principally from the continued growth of the DTH subscriber base.

The **Radio** segment is poised to grow its earnings from strong demand and strong ratings. Commitments from advertisers for fiscal 2001 are in line with its budget.

Earnings from **Outdoor Advertising** are expected to grow as the Company will increase its ownership of Astral Outdoor from 79% to 86% effective September 1, 2000. Astral Outdoor is also expected to benefit from the increased popularity of the outdoor advertising medium and from the continued growth in the number of its advertising faces.

The Company's earnings will also be improved as **interest expense** will be nearly eliminated as a result of the September 2000 share issuance.

The Company has a strong balance sheet and its cash flow and **financial resources** are more than sufficient to meet its operational obligations and to finance capital expenditures. It maintains excellent relations with lenders and believes that satisfactory financing can be obtained for any acquisition which supports its growth strategy.

The Company intends to continue its current **dividend practice**.

Effective September 1, 2000, the Company will modify its **accounting policies** to implement two new accounting standards of the Canadian Institute of Chartered Accountants. The Company plans to implement the new requirements retroactively, without a restatement of prior years' financial statements. The first deals with accounting for income taxes whereby the Company will change from the deferral method to the liability method of tax allocation and, as a consequence, will re-measure and restate some assets and liabilities to reflect their pre-tax balances and recognize the related future tax assets or liabilities. Although some balance sheet items will be impacted by the change, there will be no significant impact on shareholders' equity, net earnings or cash flows. The second new standard relates to accounting for the cost of post-employment benefits. The impact will be an increase of the pension liability of approximately \$1 million and a corresponding reduction of shareholders' equity. There will be no significant impact on net earnings or cash flows.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements of *Astral Media Inc.* and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit Committee which consists of three outside directors appointed by the Board. The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Audit Committee.

On behalf of the shareholders, the financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with auditing standards generally accepted in Canada.



Ian Greenberg
President and Chief Executive Officer
Montréal, Québec, October 6, 2000



Claude Gagnon, CA
Vice-President, Finance

AUDITORS' REPORT

To the Shareholders of *Astral Media Inc.*

We have audited the consolidated balance sheets of *Astral Media Inc.* (formerly *Astral Communications Inc.*) as at August 31, 2000 and 1999 and the consolidated statements of retained earnings, earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

ERNST & YOUNG LLP

Chartered Accountants

Montréal, Québec
October 6, 2000

CONSOLIDATED BALANCE SHEETS

As at august 31
(in thousands)

	Notes	2000	2000	1999
		Pro-forma (Note 1)		
ASSETS				
Current				
Cash and short-term investments		\$ 11,894	\$ 11,894	\$ 7,513
Accounts receivable and other current assets		58,840	58,840	21,892
Program and film rights		27,901	27,901	19,058
Current assets of discontinued operations	3	40,695	40,695	62,847
		<u>139,330</u>	<u>139,330</u>	<u>111,310</u>
Program and film rights		10,755	10,755	6,617
Investments	4	653	653	264,238
Other assets	5	9,072	9,072	4,830
Fixed assets	6	61,071	61,071	9,721
Broadcast licences	7	267,025	267,025	114,740
Goodwill	8	82,482	82,482	3,600
Non-current assets of discontinued operations	3	34,728	34,728	54,972
		<u>\$605,116</u>	<u>\$605,116</u>	<u>\$570,028</u>
LIABILITIES				
Current				
Bank indebtedness	9	\$ 9,688	\$ 9,688	\$ 176
Accounts payable and accrued liabilities		75,356	75,356	56,766
Program exhibition rights payable		35,910	35,910	24,202
Current liabilities of discontinued operations	3	34,978	34,978	43,545
		<u>155,932</u>	<u>155,932</u>	<u>124,689</u>
Deferred income taxes		2,054	3,776	972
Program exhibition rights payable		3,792	3,792	1,946
Long-term debt	10,17	8,534	100,934	125,677
Non-controlling interest		9,456	9,456	-
Non-current liabilities of discontinued operations	3	19,653	19,653	17,082
SHAREHOLDERS' EQUITY				
Capital stock	11,17	346,724	252,602	248,439
Retained earnings		58,971	58,971	51,223
		<u>405,695</u>	<u>311,573</u>	<u>299,662</u>
		<u>\$605,116</u>	<u>\$605,116</u>	<u>\$570,028</u>

See accompanying notes

On behalf of the board:

IAN GREENBERG
Director

ANDRÉ BUREAU
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended August 31

(in thousands except per-share data)

	Notes	2000 Pro-forma (Note 1)	2000	1999
Revenues				
Operations		\$282,937	\$243,313	\$138,081
Interest		862	862	402
Share of equity earnings		455	1,909	2,283
		284,254	246,084	140,766
Expenses				
Cost of sales		119,126	100,615	69,253
Selling and administrative		102,532	90,857	40,774
Interest	10	9,199	8,784	2,369
Depreciation		9,794	8,168	3,402
Amortization of broadcast licences and goodwill		10,482	7,976	3,868
Amortization of deferred charges		2,751	2,376	1,877
Non-controlling interest		1,722	1,105	-
		255,606	219,881	121,543
Earnings from continuing operations				
before income taxes		28,648	26,203	19,223
Income taxes	12	15,620	13,175	8,205
Net earnings from continuing operations		13,028	13,028	11,018
Net earnings from discontinued operations	3	532	532	3,906
Net earnings		\$ 13,560	\$ 13,560	\$ 14,924
Earnings per share from continuing operations	17	\$ 0.67	\$ 0.67	\$ 0.74
Earnings per share	17	\$ 0.70	\$ 0.70	\$ 1.00
Average number of shares outstanding		19,313	19,313	14,857
Supplementary information				
EBITDA from continuing operations	1	\$ 61,734	\$ 55,940	\$ 31,286
EBITDA per share from continuing operations	1	\$ 3.20	\$ 2.90	\$ 2.11

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended August 31

(in thousands)

	2000	1999
Balance - beginning of year	\$51,223	\$40,542
Net earnings	13,560	14,924
	64,783	55,466
Dividends on special shares	16	16
Dividends on common shares	5,796	4,227
	5,812	4,243
Balance - end of year	\$58,971	\$51,223

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31
(in thousands except per-share data)

	Notes	2000	2000	1999
		Pro-forma (Note 1)		
Cash provided by (used for):				
OPERATIONS				
Net earnings from continuing operations		\$13,028	\$13,028	\$ 11,018
Depreciation		9,794	8,168	3,402
Amortization of broadcast licences and goodwill		10,482	7,976	3,868
Amortization of deferred charges		2,751	2,376	1,877
Deferred income taxes		820	823	2,043
Share of equity earnings		(455)	(1,909)	(2,283)
Non-controlling interest		1,722	1,105	-
Cash flow from continuing operations		38,142	31,567	19,925
Change in non-cash operating items	13	(14,126)	(3,810)	(1,492)
Cash flow from continuing operating activities		24,016	27,757	18,433
DISCONTINUED OPERATIONS	3	41,448	41,448	(5,439)
INVESTMENTS				
Business acquisitions	2	(4,822)	(4,822)	(227,218)
Additions to fixed assets		(19,173)	(17,173)	(5,691)
Decrease in investments		-	-	1,700
Increase in other assets		(5,713)	(5,479)	(1,180)
		(29,708)	(27,474)	(232,389)
FINANCING				
Increase in bank indebtedness		8,872	5,253	856
(Decrease) increase in long-term debt		(38,600)	(40,956)	110,753
Increase in capital stock		4,165	4,165	118,060
Dividends paid		(5,812)	(5,812)	(4,243)
by the Company		-	-	(477)
by a joint venture				
		(31,375)	(37,350)	224,949
Increase in cash		4,381	4,381	5,554
Cash - beginning of year		7,513	7,513	1,959
Cash - end of year		\$11,894	\$11,894	\$ 7,513
Cash flow from continuing operations per share				
- Basic		\$ 1.97	\$ 1.63	\$ 1.34
- Fully diluted		\$ 1.91	\$ 1.59	\$ 1.31
Supplementary cash flow information				
- Taxes paid		\$15,046	\$12,601	\$ 12,333
- Interest paid		\$ 9,154	\$ 8,741	\$ 2,279

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2000 and 1999

1. ACCOUNTING POLICIES

a) Basis of Presentation:

The Company is incorporated under the Canada Business Corporations Act and its activities consist mainly of pay, pay-per-view and specialty television broadcasting, radio broadcasting and outdoor advertising.

The consolidated financial statements are prepared by management in accordance with accounting principles generally accepted in Canada. All amounts are expressed in Canadian dollars.

The pro-forma consolidated balance sheet is presented strictly to give effect to the Company's share issuance of September 14, 2000, described in note 17, as if it had been completed on August 31, 2000. No impact was reflected on the pro-forma statements of earnings and cash flows.

The financial statements of Astral Radio Group Inc. (formerly Radiomutuel inc. and hereinafter "Mutuel") have been consolidated effective as of January 12, 2000, the day the transaction was approved by the Canadian Radio-television and Telecommunications Commission ("CRTC"). The investment in Mutuel was previously accounted for using the equity method.

The pro-forma consolidated statements of earnings and cash flows give effect to the acquisition of Mutuel as of September 1, 1999 to provide an indication of what the results of operations and cash flows would have been had they been consolidated effective as of that date.

Segments which were disposed of during the year or for which a formal plan of disposition or discontinuance was approved during the year, are accounted for as discontinued operations.

All inter-segment revenues are eliminated at market value on consolidation.

Certain figures in the 1999 statements have been reclassified to conform with the basis of presentation adopted in 2000.

b) Principles of Consolidation:

The consolidated financial statements include the accounts of Astral *Media* Inc. and its subsidiaries. Significant subsidiaries are as follows:

	Percentage Owned	
	2000	1999
Astral Television Networks Inc.	100	100
Les Chaînes Télé Astral inc.	100	100
Astral Radio Group Inc.(note 2)	100	100
Astral <i>Media</i> Outdoor L.P. ("Outdoor") ⁽¹⁾ (note 2)	79	72
Covitec Group Inc. ("Covitec") (notes 2 and 3)	63.15	63.15
AstralTech Inc. (note 3)	-	100

⁽¹⁾ Previously Omni Outdoor & Company, Limited Partnership

The Company accounts for investments in the following joint ventures on a proportionate consolidation basis:

	Percentage Owned	
	2000	1999
The Family Channel Inc.	50	50
Viewer's Choice Canada Inc.	50.1	50.1
Canal Indigo, S.E.N.C.	20.04	20.04
TELETOON Canada Inc.	20	20
Artech Digital Entertainments Inc.	51	51
MusiquePlus Inc.	50	-
Radiomédia Inc.	50	-
Historia & Séries+, S.E.N.C.	50	-

The Company accounts for its 14.95% interest in The Comedy Network Inc. on an equity accounting basis.

1. ACCOUNTING POLICIES (continued)

c) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

d) Program and Film Rights:

Program exhibition rights are purchased on a fixed or variable cost basis. The liability for fixed cost purchases is recognized at the time the purchase is committed and is classified as either a current or non-current asset based on the availability period. The related liability is classified as either current or non-current based on contract payment terms. The cost of fixed program exhibition rights is expensed over the lesser of the availability period and a maximum period which varies depending upon the type of program. Rights acquired on a variable cost basis are not capitalized since their cost will be determined on the basis of the future number of subscribers. Investments in programs are carried at the lower of cost and estimated future revenues.

e) Fixed Assets:

Fixed assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives which are as follows:

Buildings	25 years
Outdoor advertising panels	20 years
Machinery and equipment	5 to 10 years
Computer and office equipment	2 to 10 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	5 to 20 years

f) Broadcast Licences:

Broadcast licences are recorded at cost. The Company amortizes the cost of these assets on a straight-line basis over 40 years. On an ongoing basis, management compares the carrying value of these assets with estimated future cash flows and residual values. Should there be a decline in the estimated future cash flows and residual values of the broadcast licences below their carrying value, broadcast licences would be written down to their estimated recoverable value.

g) Goodwill:

Goodwill represents the excess of the cost of subsidiaries and joint ventures over the fair value of identifiable net assets acquired. Goodwill is amortized on a straight-line basis over periods of 8, 20 or 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events or circumstances which might have impaired the fair value. Should there be a permanent decline in the value of the goodwill below its carrying value, the goodwill would be written down to its estimated value.

h) Deferred Charges:

Deferred charges include network licence application, development and pre-operating costs. These costs are amortized over the term of the licences.

i) Income Taxes:

The Company's provision for income taxes is based primarily on reported earnings before income taxes and includes an appropriate provision for deferred income taxes resulting from timing differences. Timing differences result from items whose amounts recorded for accounting purposes do not coincide with those recorded for income tax purposes, and consist principally of depreciation and amortization.

1. ACCOUNTING POLICIES (continued)

j) Per-Share Calculations:

Basic earnings and cash flow per share amounts are calculated using the weighted average number of shares outstanding. Fully diluted earnings and cash flow per share amounts are calculated using the weighted average number of shares that would have been outstanding had all outstanding stock options been exercised at the beginning of the year.

k) Cash:

For the purpose of the statements of cash flows, cash is defined as cash and short-term investments with original maturity terms of less than 90 days.

l) Advertising Revenues:

Advertising revenues are recorded when the Company has aired the related advertisements and are presented net of agency commissions.

m) Stock-Based Compensation Plans:

No compensation expense is recognized for the Company's stock option plan when stock options are issued to employees. Consideration paid by employees on the exercise of stock options is credited to share capital.

n) Supplementary Information:

EBITDA is defined as net earnings from continuing operations, plus (i) income taxes; (ii) interest expense, net; (iii) depreciation and amortization; and (iv) amortization deducted from the share of equity earnings. EBITDA is presented not as an alternative measure of operating results or cash flow from operations (as determined in accordance with generally accepted accounting principles), but because it is a widely accepted financial indicator of a company's ability to incur and service debt. EBITDA per share is calculated using the weighted average number of shares outstanding.

2. BUSINESS ACQUISITIONS

Effective September 1, 1999, the Company acquired an additional 7% of Outdoor for \$4.8 million which it paid in cash.

On July 7, 1999, the Company purchased the 75.55% of the outstanding shares of Mutuel which it did not previously own for \$224.1 million plus transaction costs of \$3.1 million. Mutuel's activities consist of specialty television and radio broadcasting and outdoor advertising. The Company financed the acquisition in part by way of a public offering of 5,000,000 of its own Class A non-voting shares for net proceeds of \$114.0 million. The balance of the purchase price was financed with bank debt.

On February 8, 1999, the Company acquired a 63.15% interest in Covitec in exchange for the net assets of the technical services division of the Company's AstralTech Inc. subsidiary (see note 3 on discontinued operations).

These acquisitions were accounted for using the purchase method of accounting.

(in thousands)	Outdoor	Mutuel	Covitec
Assets acquired			
Net identifiable assets	\$2,626	\$ 51,964	\$18,578
Broadcast licences	-	148,970	-
Goodwill related to outdoor advertising business	2,196	77,234	-
Goodwill related to other assets	-	-	4,324
	4,822	278,168	22,902
Liabilities assumed			
Purchase consideration	\$4,822	\$227,218	\$13,420

3. DISCONTINUED OPERATIONS

Discontinued operations consist of the Company's activities in the Video and Technical Services segments which were divested or wound up during the year as follows:

On April 10, 2000, the Company sold its AstralTech video duplication and distribution assets to Technicolor Acquisition Canada, Inc. for cash proceeds of \$27.9 million.

On May 8, 2000, the Company proceeded to wind up its Astral Home Entertainment videocassette wholesaling activities. The financial statements include provisions to cover the estimated future operating losses and winding-up charges.

On May 12, 2000, the Company sold its investment in Motion International Inc. for cash proceeds of \$6.2 million.

On August 24, 2000, the Company adopted a plan to dispose of its investment in Covitec (see note 17 on subsequent events).

The results from discontinued operations are summarized as follows:

(in thousands)	2000	1999
Revenues	\$ 170,482	\$ 237,084
Operating (losses) earnings before income taxes	\$ (3,188)	\$ 6,295
Income tax recovery (expense)	1,470	(2,389)
Net operating (losses) earnings	(1,718)	3,906
Gain on divestitures and wind-up of operations, including a tax recovery of \$2,353	2,250	-
Net earnings from discontinued operations	\$ 532	\$ 3,906

Net assets of discontinued operations are summarized as follows:

(in thousands)	2000	1999
Cash and accounts receivable	\$ 37,753	\$ 48,729
Other current assets	2,942	14,118
Fixed assets	27,840	37,998
Goodwill and other non-current assets	6,888	16,974
Bank indebtedness	(10,371)	(6,240)
Accounts payable and accrued liabilities	(23,054)	(35,591)
Long-term debt (including current portion)	(5,738)	(6,447)
Other non-current liabilities	(15,468)	(12,349)
Net assets of discontinued operations	\$ 20,792	\$ 57,192

4. INVESTMENTS

(in thousands)	2000	1999
The Comedy Network Inc.	\$ 653	\$ 198
Astral Radio Group Inc. (notes 1 and 2)	-	264,040
	\$ 653	\$ 264,238

4. INVESTMENTS (continued)

The following is a summary of the Company's proportionate share of the financial position, operating results and cash flows of the joint ventures:

(in thousands)	2000	1999
Current assets	\$21,175	\$13,453
Non-current assets	19,488	9,162
Current liabilities	22,254	12,902
Non-current liabilities	5,878	2,881

(in thousands)	2000 Pro-forma	2000	1999
Revenues	\$53,153	\$47,111	\$26,580
Operating expenses	46,478	40,958	20,861
Interest income, net	174	174	197
Net earnings	4,131	3,609	3,194
Cash provided by operating activities	11,634	11,427	8,582
Cash used for investing activities	(4,473)	(4,263)	(2,722)
Cash used for financing activities	(3,722)	(3,722)	(2,561)

5. OTHER ASSETS

(in thousands)	2000	1999
Deferred charges (net of accumulated amortization of \$4,856 (1999 – \$3,083))	\$ 8,210	\$ 4,081
Deferred pension asset	237	541
Employee loans	625	208
	\$ 9,072	\$ 4,830

6. FIXED ASSETS

(in thousands)	2000			1999		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and land	\$ 1,055	\$ 295	\$ 760	\$ 850	\$ 188	\$ 662
Outdoor advertising panels	40,089	2,699	37,390	-	-	-
Machinery and equipment	24,135	12,745	11,390	10,547	7,066	3,481
Computer and office equipment	10,084	3,814	6,270	7,156	3,015	4,141
Furniture and fixtures	5,551	3,789	1,762	2,322	1,587	735
Leasehold improvements	6,911	3,412	3,499	1,543	841	702
	\$87,825	\$26,754	\$61,071	\$22,418	\$12,697	\$ 9,721

7. BROADCAST LICENCES

The changes in broadcast licences include an addition related to the acquisition of the radio and television broadcast licences of Mutuel and are summarized as follows:

(in thousands)	2000	1999
Cost – beginning of year	\$135,706	\$135,706
Acquisition of Mutuel (note 2)	160,255	-
Cost – end of year	295,961	135,706
Accumulated amortization	28,936	20,966
Unamortized cost	\$267,025	\$114,740

8. GOODWILL

The changes in goodwill include additions related to the outdoor advertising business which are summarized as follows:

(in thousands)	2000	1999
Cost – beginning of year	\$ 4,520	\$ 4,043
Acquisition of Mutuel (note 2)	79,198	-
Acquisition of 7% of Outdoor (note 2)	2,196	-
Other changes	-	477
Cost – end of year	85,914	4,520
Accumulated amortization	3,432	920
Unamortized cost	\$ 82,482	\$ 3,600

9. BANK INDEBTEDNESS

Bank indebtedness is payable on demand and bears interest at the banks' prime rate which at August 31, 2000 was 7.5% (1999 – 6.25%). The Company has operating revolving credit facilities of \$67.5 million of which \$4.1 million is secured by certain joint-venture assets. As at August 31, 2000, \$9.7 million was used.

10. LONG-TERM DEBT

(in thousands)	2000	1999
Term loan bearing interest at prime, unsecured, repayable over the fiscal years 2001 to 2006 (see below)	\$100,000	\$125,000
Other loans bearing interest at 8.5%, repayable over the period ending in fiscal year 2006	1,070	706
	101,070	125,706
Less current portion (included in accounts payable and accrued liabilities)	136	29
	\$100,934	\$125,677

The Company has a bank term loan facility in the maximum amount of \$145 million which reduces periodically until maturity in July 2006 (see note 17 on subsequent events). The interest rate on \$60 million of the outstanding term loan was fixed at 7.49% through an interest rate swap maturing in June 2001.

Interest on long-term debt was \$7.9 million (1999 – \$1.6 million) for the year (\$8.1 million on a pro-forma basis).

Principal payments on the Company's long-term debt are due in the following fiscal years (see note 17 on subsequent events):

(in thousands)	
2001	\$ 136
2002	279
2003	20,529
2004	21,850
2005	29,133
2006 and thereafter	29,143
	\$101,070

11. CAPITAL STOCK

a) Authorized:

32,500 5% non-cumulative special shares ("special shares"), entitled to ten votes each and convertible on the basis of two Class B shares for each special share.

An unlimited number of Class A non-voting shares ("Class A shares").

An unlimited number of Class B subordinate voting shares ("Class B shares"), entitled to one vote each and exchangeable for Class A shares on a one-for-one basis.

In order to ensure compliance with Federal Government directions, the Broadcasting Act and regulations governing pay, pay-per-view and specialty television services and radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances which would or could adversely affect the ability of the Company and its affiliates, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with any such licence.

b) Issued:

(in thousands except number of shares)

		2000		1999
	Number of shares outstanding	Value of shares	Number of shares outstanding	Value of shares
Special shares	32,500	\$ 325	32,500	\$ 325
Class A shares:				
Beginning of year	17,578,786	244,909	12,326,975	124,465
Employee stock option plan	154,813	2,927	235,412	3,668
Employee share purchase plan	53,077	1,236	16,399	412
Share issuance (note 17)	-	-	5,000,000	120,000
Share issuance costs net of deferred income tax	-	-	-	(3,636)
	17,786,676	249,072	17,578,786	244,909
Class B shares	1,638,761	3,205	1,638,761	3,205
		\$252,602		\$248,439

c) Employee Stock Options:

Under the provisions of the Company's employee stock option plan, the Company may grant options to key employees and directors to purchase Class A shares. The plan, which was last amended on October 28, 1998, provides that the maximum number of shares which may be issued thereunder is 1,923,997 Class A shares. The option exercise price cannot be less than the closing price for the Class A shares on the Toronto Stock Exchange on the last business day before the date on which the option is granted. The stock options may be exercised by the holder progressively over a period of 1 to 5 years from the date of granting, and have a maximum term of 10 years.

A summary of the status of the Company's employee stock option plan as at August 31, 2000 and 1999, and changes during the years ending on these dates is presented below:

	2000		1999	
	Number of options outstanding	Weighted average exercise price (\$)	Number of options outstanding	Weighted average exercise price (\$)
Beginning of year	764,385	19.25	610,170	15.94
Granted	605,618	26.08	430,817	21.93
Exercised	(154,813)	18.90	(235,412)	15.58
Cancelled/expired	(46,934)	22.08	(41,190)	19.11
End of year	1,168,256	22.73	764,385	19.25
Exercisable – end of year	169,989	17.04	121,411	14.68

11. CAPITAL STOCK (continued)

The following table summarizes information about the stock options outstanding at August 31, 2000.

Range of exercise prices (\$)	Number of options outstanding at August 31, 2000	Weighted average remaining life (years)	Weighted average exercise price (\$)	Number of options exercisable at August 31, 2000	Weighted average exercise price (\$)
10.07-15.10	67,108	6.40	13.60	56,469	13.51
15.11-21.93	511,496	8.42	20.05	113,520	18.80
21.94-35.50	589,652	10.00	26.09	-	-
10.07-35.50	1,168,256	9.10	22.73	169,989	17.04

12. INCOME TAXES

The Company's provision for income taxes is made up as follows:

(in thousands except income tax rates)	2000 Pro-forma	2000	1999
Statutory income tax rate	40.4%	40.8%	39.4%
Provision based on statutory rate applied to earnings	\$ 11,526	\$ 10,698	\$ 7,580
Increase (decrease) results from:			
Amortization of broadcast licences and goodwill	4,280	3,257	1,525
Share of equity earnings	(186)	(780)	(900)
	\$ 15,620	\$ 13,175	\$ 8,205

13. CHANGES IN NON-CASH OPERATING ITEMS

The changes in non-cash operating items include the following:

(in thousands)	2000 Pro-forma	2000	1999
Increase in accounts receivable and other current assets	\$ (22,021)	\$ (36,338)	\$ (3,587)
(Increase) decrease in program and film rights	(9,664)	8,250	598
Increase (decrease) in accounts payable and accrued liabilities	4,005	10,724	(1,138)
Increase in program exhibition rights payable	13,554	13,554	2,635
	\$ (14,126)	\$ (3,810)	\$ (1,492)

14. COMMITMENTS

The minimum amounts payable under long-term operating contracts are as follows:

(in thousands)	
2001	\$ 13,511
2002	11,241
2003	9,922
2004	8,825
2005	8,111
2006 and thereafter	20,730
	\$ 72,340

15. EMPLOYEE RETIREMENT PLANS

During the year, the Company established a voluntary defined benefit plan common to all of its employees. Existing plans were transferred into the new plan. The plan provides pension benefits based on length of service and final average earnings of each member.

The status of the Company's employee retirement plan is as follows:

(in thousands)	2000	1999
Pension fund assets	\$7,448	\$8,399
Actuarial present value of accrued pension benefits	8,394	9,227

Pension benefit obligations are determined annually by independent actuaries using management's best estimate assumptions and the accrued benefit method. The cost of pension obligations includes the actuarially computed costs of the pension benefits in respect of the current year's service, plan amendments, and experienced gains and losses, amortized over the expected average remaining service life of the pension plan members.

In addition to the above employee retirement plan, the Company established effective September 4, 1996, a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. There is an actuarial liability of \$3.3 million for the SERP as at August 31, 2000 (1999 - \$2.9 million). The SERP will not be funded except in the case of a change of control of the Company or to pay out benefits as required. The cost of the SERP is expensed over the expected average remaining service life of the participating executives.

16. BUSINESS SEGMENTS

The Company's business segments are Television, Radio and Outdoor Advertising. In 1999, the Company operated only one continuing business segment, Television.

	August 31, 2000 – Pro-forma		
(in thousands of \$)	Television	Radio	Outdoor Advertising
Revenues from operations	207,685	45,261	29,991
Earnings before undernoted items	52,123	8,078	11,226
Interest, net	719	(542)	(219)
Depreciation and amortization	(14,267)	(3,594)	(4,507)
Non-controlling interest	-	-	(1,722)
Earnings before unallocated items	38,575	3,942	4,778
Interest, net			(8,295)
Share of equity earnings			455
Corporate costs (including \$659 of depreciation)			(10,807)
Income taxes			(15,620)
Net earnings from continuing operations			13,028
Identifiable assets from continuing operations	292,393	107,613	47,205
Fixed asset additions	12,230	944	5,999
			19,173

16. BUSINESS SEGMENTS (continued)

(in thousands of \$)	August 31, 2000			
	Television	Radio	Outdoor Advertising	Consolidated
Revenues from operations	195,304	29,015	18,994	243,313
Earnings before undernoted items	49,907	4,928	7,154	61,989
Interest, net	916	(406)	(137)	373
Depreciation and amortization	(12,694)	(2,349)	(2,818)	(17,861)
Non-controlling interest	-	-	(1,105)	(1,105)
Earnings before unallocated items	38,129	2,173	3,094	43,396
Interest, net				(8,295)
Share of equity earnings				1,909
Corporate costs (including \$659 of depreciation)				(10,807)
Income taxes				(13,175)
Net earnings from continuing operations				13,028
Identifiable assets from continuing operations	292,393	107,613	47,205	447,211
Fixed asset additions	10,733	800	5,640	17,173

17. SUBSEQUENT EVENTS

On September 14, 2000, the Company issued 2,500,000 Class A shares for cash proceeds of \$96.2 million less \$4.0 million of share issuance costs. The proceeds were used to reduce long-term debt. Per-share data would have been as follows had the shares been issued and the debt been repaid at the beginning of the year:

	2000	Pro-forma	2000
Earnings per share from continuing operations	\$0.75	\$0.75	\$0.75
Earnings per share	\$0.77	\$0.77	\$0.77
Cash flow per share from continuing operations	\$1.90	\$1.60	\$1.60

On October 2, 2000, the Company signed a lock-up agreement under which it irrevocably committed to tender all its shares in Covitec pursuant to an offer from Technicolor Canada Acquisition Corp. The closing of the transaction is conditional upon 66.67% of the outstanding shares of Covitec being deposited. The Company will receive a total consideration of approximately \$36.1 million in cash from the sale of its shares in Covitec. The impact of the share sale on net earnings is not included in the financial statements, and is still subject to change.

18. CONTINGENT LIABILITIES

The Company is involved in various legal actions which are normal to the Company's businesses. In the opinion of the Company, potential liabilities which may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

The Company is contingently liable for the rental payments under the leases assumed by the purchaser of the Company's Photographic Division in September 1996 should the purchaser not be able to fulfill its obligations.

19. FINANCIAL INSTRUMENTS

a) Fair Values:

The estimated fair values of financial instruments as at August 31, 2000 and August 31, 1999 are based on the relevant market prices and information available at the time. The fair value estimates are not indicative of the amounts that the Company might receive or incur in actual market transactions.

Current Financial Assets and Liabilities

The carrying amounts of current assets and liabilities are reasonable estimates of their fair values due to the current nature of these instruments. Current financial assets consist of cash and accounts receivable, while current financial liabilities consist of bank indebtedness, accounts payable and accrued liabilities, and program exhibition rights payable.

19. FINANCIAL INSTRUMENTS (continued)

Long-Term Debt

The fair value of the variable interest bearing loans approximate their carrying value. The fair value of the fixed interest bearing loans is approximately \$0.3 million more than their carrying value and is based on estimated future cash flows discounted using the current market rate for debt of the same remaining maturities, as advised by the Company's bankers.

Other

The carrying amounts of loans receivable and long-term program exhibition rights payable approximate their fair values.

b) Concentration of Credit Risk:

The Company operates in Canada. The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses.

As at August 31, 2000, one customer of the Television segment accounted for 20% (1999 – two customers for 40%) of consolidated revenues from operations and one customer accounted for 20% (1999 – one customer for 31%) of the consolidated accounts receivable. The Company believes that there is no unusual exposure associated with the collection of these receivables.

SHAREHOLDERS' INFORMATION

	Class A Shares (non-voting)	Class B Shares (one vote each)
Listing	TSE	TSE
Symbol	ACM.A	ACM.B
Recent price (1)	\$41.35	\$46.50
High / Low last 12 months	\$46.50 / \$22.65	\$51.00 / \$26.50
Shares outstanding (2)	17,786,676	1,638,761
Price / Pro-forma earnings ratio (3)	61.7 x	69.4 x
Price / Pro-forma cash flow ratio (3)	21.0 x	23.6 x
Price / Pro-forma book value ratio	2.2 x	2.5 x
Pro-forma net earnings per share – basic (3)	\$0.67	\$0.67
Pro-forma cash flow per share – basic (3)	\$1.97	\$1.97
Pro-forma book value per share	\$18.49	\$18.49
Dividends per share last 12 months (4)	\$0.30	\$0.30

(1) As at October 31, 2000.

(2) As at August 31, 2000. Does not include 32,500 special shares entitled to 10 votes each.

(3) From continuing operations.

(4) The semi-annual dividend rate has been \$0.15 per share since August 3, 1992.

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www.tmn.ca
www.mpix.ca

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Fax: (514) 284-1889
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www.ckac.com

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Suite 250
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Fax: (613) 728-4523
www.artech.ca

CORPORATE INFORMATION

Auditors
Ernst & Young LLP

Banks
Royal Bank of Canada
National Bank of Canada

Transfer Agent and Registrar
The Montreal Trust Company
Montréal

Exchange Listings
Toronto Stock Exchange
Symbols: ACM.A, ACM.B

Annual Meeting of Shareholders
December 13, 2000

2:30 p.m.
News Theatre
98 The Esplanade
Toronto, Ontario

Corporate Governance

In compliance with guidelines issued by The Toronto Stock Exchange, a summary of Astral's corporate governance practices is provided in the Management Proxy Circular.

Ce rapport annuel est aussi disponible en français.

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